

MCDONALDS CORP  
Form PRE 14A  
March 22, 2019  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Under Rule 14a-12

**McDonald's Corporation**

(Name of Registrant as Specified In Its Charter)  
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:
- 2) Aggregate number of securities to which transaction applies:
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- 4) Proposed maximum aggregate value of transaction:
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- 1) Amount previously paid:
  - 2) Form, Schedule or Registration Statement No.:
  - 3) Filing Party:
  - 4) Date Filed:
-

**Table of Contents**

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**Table of Contents**

**A Letter from the Chairman of the Board**

**Dear Fellow McDonald's Shareholders,**

Each day it's our privilege to serve more than 60 million people in one of our nearly 38,000 restaurants around the world. Still, every time I walk into a McDonald's restaurant, I'm reminded that individuals are at the heart of each of these big numbers; a family enjoying a meal together, friends catching up over coffee or a crew member offering a friendly smile at the drive-thru window to a customer squeezing in a few moments to eat while on the go.

We take great pride in the way we serve customers, employees, our communities and you, our shareholders. 2018 was a year of strong progress. Business growth, though, is not the full extent of how we measure our success. I'm proud to report that we also made significant strides in using McDonald's Scale for Good. We are driving positive change in the world and addressing some of the most pressing societal and environmental challenges – all while contributing to the long-term success and sustainability of our Company.

**Delivering Shareholder Value.** We are focused on running a good business and we served you, our shareholders, with a disciplined focus on growth that helped us achieve strong shareholder returns, outpacing most other companies in our peer group. Over the past three years, McDonald's achieved a total shareholder return (TSR) of 63%, a marked improvement from the three-year TSR of 3% through December 2014, prior to the Company's turnaround.

**Velocity Growth Plan.** Our broad-based momentum is a testament to the strategy guiding McDonald's. With the Velocity Growth Plan, we are taking actions to enhance the taste of our food, the convenience we offer, value and brand trust. We continued to progress in these areas, which has encouraged more customers to visit McDonald's again and again. In 2018, global comparable sales increased 4.5%, and our global comparable guest counts marked the first back-to-back year of growth since 2012.

The Company has prioritized growth opportunities with the greatest potential to accelerate our momentum. The three Velocity Accelerators – Experience of the Future, digital and delivery – continued to gain traction in 2018, strengthening consumer perceptions of the McDonald's brand.

Our CEO, Steve Easterbrook, and his management team continued to demonstrate bold ambition, innovative thinking and the ability to motivate and align McDonald's employees, franchisees and suppliers as they guide our Company through a transformative period. In a dynamic consumer landscape, we are fortunate to have Steve and other highly talented leaders who are skilled at driving strong performance today, while also anticipating industry changes and preparing McDonald's for future success.

**Active Oversight of Strategy.** The Company's Board of Directors is committed to upholding the role of reviewing, challenging and helping to shape our strategic direction so that McDonald's is well-positioned to serve the interests of customers, employees and shareholders. The Board regularly assesses progress against the strategy and has the opportunity to speak to employees at various levels of the Company to gain more insight into its implementation. The Board recognizes that corporate culture plays a large role in execution of strategy, and is confident that the Company is creating an environment in both its offices and our restaurants where every individual can contribute their best.

The Board's annual "deep dive" strategic review is valuable in guiding our strategy's continued evolution in support of the Company's aspirations. At our strategic review last fall, the Board continued its practice of open and robust conversation. We engaged members of the senior leadership team, offering insight, critical thinking and direction intended to hone in on opportunities with the greatest potential to advance the business.

The Board continues to oversee enterprise risk management and regularly coordinates with its Committees and our management team to oversee risk identification, assessment and mitigation.

**Table of Contents**

A Letter from the Chairman of the Board

**Scale for Good.** A year ago, we shared our vision for responsible leadership to address challenges in a way that upholds the trust customers and other stakeholders place in McDonald's. Since then, as the pace of change and complexity of the challenges have continued to grow, so has our resolve to make a difference for our customers, our employees and our communities.

McDonald's operates on a scale unlike any other restaurant company. With our Scale for Good initiative, McDonald's made a series of bold pledges last year that defined how we are using our resources and influence to contribute to the greater good.

From offering new, balanced options in our classic Happy Meals, reducing greenhouse gas emissions and recycling more to influencing responsible and sustainable beef production practices, we are taking on complex challenges that demand innovative solutions and collective action. We know we have the responsibility and opportunity to take bold action and embrace this opportunity to drive meaningful progress by collaborating with millions of customers, employees, franchisees and suppliers.

However, we believe our greatest opportunity for impact may be with the commitments we have made to change the lives of employees at McDonald's and other workers around the world. **"We're a people business and we never forget it,"** as a saying of Fred Turner, a leader and a true McDonald's visionary, that is inscribed on the entrance floor of our new headquarters in Chicago. We take pride in living up to this ideal by striving to take care of the McDonald's crew and restaurant managers, who do an outstanding job of taking care of our customers. Archways to Opportunity has provided assistance to over 33,000 restaurant employees to help them earn a high school diploma or go to college. With the Youth Opportunity initiative within Scale for Good, our commitment to helping young people will extend beyond working with restaurant employees. We're supporting organizations in Chicago and around the world that provide job readiness training and apprenticeship programs to reduce barriers to employment for young people.

**Board Refreshment.** The Board remains committed to ongoing Board refreshment. In January 2019, the Board elected Paul Walsh as a new independent Director. Paul's leadership at consumer-centric companies in the food and beverage industry brings broader industry perspective to our boardroom, as well as additional familiarity with international operations. Additionally, Jeanne Jackson has decided not to stand for re-election at the 2019 Annual Shareholders' Meeting, and we thank her for her service to McDonald's and our shareholders. With Paul's election and Jeanne not standing for re-election, nearly half of our Director nominees have joined the Board within the last five years. We continue to evaluate the most appropriate mix of skills, qualifications and attributes of our Directors for the benefit of our Company and our shareholders.

**Ongoing Shareholder Outreach.** The Company continues to believe in the importance of shareholder engagement, and maintains a robust, year-round engagement program. Our Board is regularly informed of the feedback received during these discussions. Our shareholders continue to be interested in topics such as the Velocity Growth Plan, business and financial performance, governance practices, our Scale for Good and sustainability initiatives, and executive compensation programs. This feedback continues to provide valuable perspective and inform our Board's decision-making process.

On behalf of my fellow Board members, it is an honor and a privilege for each one of us to serve as stewards of the McDonald's brand. We share ambitious aspirations to build on McDonald's strong foundation so that our Company can bolster its proud history as a leader in the way we serve customers, employees, our communities and you, our shareholders.

Thank you for your investment and continued support of the Company.

Sincerely,

**ENRIQUE HERNANDEZ, JR.**  
Chairman of the Board

**Table of Contents**

**Notice of the Annual Shareholders' Meeting**

**MCDONALD'S CORPORATION**

**MEETING TIME AND DATE**

9:00 a.m. Central Time on Thursday, May 23, 2019

**MEETING PLACE**

The Grand Hyatt, Dallas-Fort Worth Airport, Americas Ballroom  
2337 South International Parkway, Dallas, Texas 75261

McDonald's Corporation (McDonald's or the Company) will provide the Notice of Internet Availability, electronic delivery of the proxy materials or mailing of the 2019 Proxy Statement, the 2018 Annual Report on Form 10-K and a proxy card to shareholders beginning on or about April 11, 2019.

**TO MCDONALD'S CORPORATION SHAREHOLDERS:**

The Company will hold its 2019 Annual Shareholders' Meeting (Annual Meeting or Annual Shareholders' Meeting) on Thursday, May 23, 2019, at 9:00 a.m. Central Time at The Grand Hyatt, Dallas-Fort Worth Airport, Americas Ballroom at 2337 South International Parkway, Dallas, Texas 75261. The registration desk will open at 8:00 a.m. At the meeting, shareholders will be asked to consider and vote upon the following proposals:

<b>PROPOSAL</b>	<b>Item to be Voted on</b>	<b>Board Voting Recommendation</b>
<b>1</b>	Election of 11 Directors named in the Proxy Statement, each for a one-year term expiring in 2020;	<b>FOR EACH NOMINEE</b>
<b>2</b>	Advisory vote to approve executive compensation;	<b>FOR</b>
<b>3</b>	Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2019; and	<b>FOR</b>
<b>4</b>	Vote to approve an amendment to the Company's Certificate of Incorporation to lower the authorized range of the number of Directors on the Board to 7 – 15 Directors	<b>FOR</b>
<b>5</b>	Advisory vote on a shareholder proposal, only if properly presented.	<b>AGAINST</b>

In addition, we will transact any other business properly presented at the meeting, including any adjournment or postponement thereof, by or at the direction of the Board of Directors.

**WHO CAN VOTE:** Shareholders at the close of business on March 25, 2019 (the record date). Each share of common stock is entitled to one vote for each Director and one vote for each other proposal.

**HOW TO LISTEN TO THE ANNUAL SHAREHOLDERS' MEETING:** You can listen to a live audiocast of the Annual Shareholders' Meeting at [www.investor.mcdonalds.com](http://www.investor.mcdonalds.com) by clicking on the appropriate link. The audiocast will be available for a limited time after the meeting.

**HOW TO ATTEND THE ANNUAL SHAREHOLDERS' MEETING IN PERSON:** If you plan to attend in person, you must pre-register with McDonald's Shareholder Services in advance. Space is very limited. See page 75 for information about how to pre-register to attend in person.

By order of the Board of Directors,

**JEROME N. KRULEWITCH**  
Corporate Secretary, McDonald's Corporation  
110 North Carpenter Street, Chicago, Illinois 60607  
April 11, 2019

**IMPORTANT VOTING INFORMATION:**

It is important that you vote your shares. Please carefully review the proxy materials and follow the instructions below to cast your vote as soon as possible in advance of the meeting.

**REGISTERED SHAREHOLDERS**

If you hold shares through the Company's transfer agent, Computershare, please use one of these options to vote:

**INTERNET**

[www.proxyvote.com](http://www.proxyvote.com)

**TABLET OR SMARTPHONE**

Scan this QR code to vote  
with your mobile device

**TELEPHONE**

800-690-6903  
Dial toll-free 24/7

**MAIL**

If you received a proxy card by  
mail, mark, date, sign and return  
it in the postage-paid envelope  
furnished for that purpose.

**BENEFICIAL OWNERS**

If you hold shares through your bank or brokerage account, please use one of these options to vote:

**INTERNET**

[www.proxyvote.com](http://www.proxyvote.com)

**TABLET OR SMARTPHONE**

Scan this QR code to vote  
with your mobile device

**TELEPHONE**

800-454-8683  
Dial toll-free 24/7

**MAIL**

If you received a voting  
instruction form by mail,  
mark, date, sign and return it  
in the postage-paid envelope  
furnished for that purpose.

**YOUR VOTE IS IMPORTANT.**

Please consider the issues presented in this Proxy Statement and vote your shares as promptly as possible.

**Table of Contents**

**Table of Contents**

<b><u>A Letter from the Chairman of the Board</u></b>	<b><u>2</u></b>
<b><u>Notice of the Annual Shareholders' Meeting</u></b>	<b><u>4</u></b>
<b><u>Proxy Statement Summary</u></b>	<b><u>6</u></b>
<u>Voting Matters and Recommendations</u>	<u>6</u>
<u>Business Strategy and 2018 Performance Highlights</u>	<u>6</u>
<u>Governance Highlights</u>	<u>8</u>
<u>Board Refreshment Highlights</u>	<u>8</u>
<u>Overview of Directors</u>	<u>9</u>
<u>Responsible Leadership Highlights</u>	<u>10</u>
<u>Executive Compensation Highlights</u>	<u>10</u>
<b><u>Election of Directors</u></b>	<b><u>13</u></b>
<b>PROPOSAL 1</b>	
<b><u>Election of Directors</u></b>	<b><u>13</u></b>
<u>Director Qualifications</u>	<u>13</u>
<u>Biographical Information</u>	<u>15</u>
<b><u>Board and Governance Matters</u></b>	<b><u>21</u></b>
<u>Board Leadership</u>	<u>21</u>
<u>Board Composition and Succession Planning</u>	<u>21</u>
<u>Board Diversity</u>	<u>22</u>
<u>Director Independence</u>	<u>22</u>
<u>Selection of New Director Candidates</u>	<u>23</u>
<u>Board and Committee Evaluations</u>	<u>24</u>
<u>Director Orientation and Continuing Education</u>	<u>25</u>
<u>Meeting Attendance</u>	<u>25</u>
<u>Executive Sessions</u>	<u>25</u>
<u>Board Committees</u>	<u>25</u>
<u>Risk Oversight</u>	<u>30</u>
<u>Strategy Oversight</u>	<u>32</u>
<u>Management Succession Planning</u>	<u>32</u>
<u>Shareholder Engagement</u>	<u>33</u>
<u>Responsible Leadership</u>	<u>34</u>
<u>Board's Response to Shareholder Proposals</u>	<u>35</u>
<u>Corporate Governance Principles</u>	<u>35</u>
<u>Code of Conduct</u>	<u>35</u>
<u>Director Compensation</u>	<u>35</u>
<b><u>Executive Compensation</u></b>	<b><u>37</u></b>
<b>PROPOSAL 2</b>	
<b><u>Advisory Vote to Approve Executive Compensation</u></b>	<b><u>37</u></b>
<u>Compensation Committee Report</u>	<u>37</u>
<u>Compensation Discussion and Analysis</u>	<u>38</u>
<u>Our 2018 Year in Review</u>	<u>38</u>
<u>Executive Summary</u>	<u>39</u>
<u>Compensation Setting Process</u>	<u>40</u>
<u>Establishing Performance-Based Compensation</u>	<u>41</u>
<u>Primary Elements of Total Direct Compensation</u>	<u>43</u>
<u>Other Compensation Elements</u>	<u>47</u>
<u>Compensation Tables</u>	<u>50</u>
<u>Additional Compensation Matters</u>	<u>58</u>
<b><u>Audit &amp; Finance Committee Matters</u></b>	<b><u>59</u></b>
<b>PROPOSAL 3</b>	
<b><u>Advisory Vote to Approve the Appointment of Ernst &amp; Young LLP as Independent Auditor for 2019</u></b>	<b><u>59</u></b>
<u>Audit &amp; Finance Committee Report</u>	<u>60</u>
<u>Policy for Preapproval of Audit and Permitted Non-Audit Services</u>	<u>61</u>
<u>Auditor Fees and Services</u>	<u>61</u>
<b><u>Amendment to Certificate of Incorporation</u></b>	<b><u>62</u></b>

**PROPOSAL 4**

**Vote to Approve an Amendment to the Company's Certificate of Incorporation to Lower the Authorized Range of the Number of Directors on the Board to 7 – 15 Directors**

**62**

**Shareholder Proposal**

**63**

**PROPOSAL 5**

**Advisory Vote on a Shareholder Proposal Requesting the Ability for Shareholders to Act by Written Consent**

**63**

**Stock Ownership**

**66**

Director Stock Ownership Guidelines and Stock Ownership and Retention Policy for Senior Officers

66

Section 16(a) Beneficial Ownership Reporting Compliance

66

Security Ownership of Certain Beneficial Owners

66

Security Ownership of Management

67

**Transactions with Related Persons**

**68**

**Communications**

**69**

**Questions About the Annual Shareholders' Meeting**

**71**

**Information About the Annual Shareholders' Meeting**

**75**

Pre-registration and Admission Policy

75

**Exhibit A – Proposed Amendment to Certificate of Incorporation**

**77**



**Table of Contents****Proxy Statement Summary**

*This summary highlights information about the Company and the 2019 Annual Shareholders' Meeting. This summary does not include all the information that you should consider in deciding how to vote. We encourage you to read the entire Proxy Statement and our Annual Report on Form 10-K before voting. For additional information on how to attend the Annual Shareholders' Meeting or to listen to the live audiocast, please see our Pre-registration and Admission Policy on page 75.*

**VOTING MATTERS AND RECOMMENDATIONS**

The following proposals are scheduled to be presented at the upcoming 2019 Annual Shareholders' Meeting:

<b>MANAGEMENT PROPOSALS</b>		<b>Board's recommendation</b>	<b>Page</b>
<b>PROPOSAL 1</b>	Election of 11 Directors named in this Proxy Statement, each for a one-year term expiring in 2020	<b>FOR EACH NOMINEE</b>	<b>13</b>
<b>PROPOSAL 2</b>	Advisory vote to approve executive compensation	<b>FOR</b>	<b>37</b>
<b>PROPOSAL 3</b>	Advisory vote to approve the appointment of Ernst & Young LLP as independent auditor for 2019	<b>FOR</b>	<b>59</b>
<b>PROPOSAL 4</b>	Vote to approve an amendment to the Company's Certificate of Incorporation to lower the authorized range of the number of Directors on the Board to 7 – 15 Directors	<b>FOR</b>	<b>62</b>
<b>SHAREHOLDER PROPOSAL</b>		<b>Board's recommendation</b>	<b>Pages</b>
<b>PROPOSAL 5</b>	Advisory vote on a shareholder proposal, only if properly presented	<b>AGAINST</b>	<b>63-65</b>

**BUSINESS STRATEGY AND 2018 PERFORMANCE HIGHLIGHTS****VELOCITY GROWTH PLAN**

In 2018, the Company continued to execute on the Velocity Growth Plan, the Company's consumer-centric strategy launched in March 2017. The Velocity Growth Plan is rooted in extensive consumer research and insights, along with a deep understanding of what drives our business. Our plan is designed to drive sustainable guest count growth, which we believe is a reliable long-term measure of the Company's strength and is vital to growing sales and increasing shareholder value. Our 2018 progress demonstrated broad-based global strength along with significant execution against the plan in the U.S. Our 2019 focus will be to

continue to optimize execution of the Velocity Growth Plan to unlock further potential and to drive sustainable, long-term growth.

The Company continues to target opportunities at the core of our business – food, value and customer experience. This strategy is building on the following three pillars, each of which focuses on building a better McDonald's:

**RETAINING**  
**1 existing customers**

Focusing on areas where the Company has a strong foothold, including family occasions and food-led breakfast

**REGAINING**  
**2 lost customers**

Recommitting to areas of historical strength, namely food taste and quality, convenience and value

**CONVERTING**  
**3 casual to committed customers**

Building stronger relationships with customers so they visit more often, by elevating and leveraging the McCafé coffee brand and enhancing snack and treat offerings

6 McDonald's Corporation

---

**Table of Contents**

[Proxy Statement Summary](#)

Each pillar has established sustainable platforms that will enable execution of the Velocity Growth Plan with greater speed, efficiency and impact, while remaining relentlessly focused on the fundamentals of running great restaurants. Additionally, through the following three growth accelerators, we are enhancing the overall customer experience with hospitality, friendly service and ever-improving convenience for customers on their terms:

**EXPERIENCE OF THE FUTURE**

Focusing on restaurant modernization and technology in order to transform the restaurant service experience and enhance the Brand in the eyes of our customers

**DIGITAL**

Evolving our technology platform by expanding choices for how customers order, pay and are served through additional functionality on our global mobile application, self-order kiosks and other enablers such as table service and curbside pick-up

**DELIVERY**

Bringing McDonald's to the customer through the added convenience of delivery

The Company worked to aggressively deploy these accelerators in 2018 and will continue further deployment in 2019 and beyond.

**PERFORMANCE HIGHLIGHTS**

The Company's performance, as highlighted below, demonstrates continued momentum, which will enable us to drive our business, innovate, invest in our growth, and compete effectively in the global marketplace today and for the long term.

\* The 3-Year Total Shareholder Return percentage is as reported on Bloomberg.com as of December 31, 2018.

**Table of Contents**

Proxy Statement Summary

**GOVERNANCE HIGHLIGHTS**

We remain committed to sound corporate governance practices informed by feedback from our shareholders, as well as our ongoing review of evolving best practices.

**STRONG INDEPENDENT LEADERSHIP**

Our separate Chairman and CEO roles enable our independent Chairman to focus on overseeing our Board and corporate governance matters and our CEO to focus on leading the Company’s day-to-day business. Independent Directors also chair our other Board Committees, other than the Executive Committee. This structure facilitates effective oversight, and further strengthens our Board’s independent leadership and commitment to enhancing shareholder value and sound governance.

**DIVERSITY AND EQUITABLE COMPENSATION PROGRAMS**

Our Board believes that diversity and equitable compensation are important topics to investors and stakeholders. In 2018, to complement the Public Policy & Strategy Committee’s oversight of human capital management matters and the Sustainability & Corporate Responsibility Committee’s oversight of our diversity and inclusion efforts, the Board approved amendments to our Compensation Committee Charter. These amendments memorialize our practice of periodically reviewing the Company’s programs and practices related to executive workforce diversity as well as to our review of executive compensation programs to confirm they are administered in an equitable manner.

**BOARD REFRESHMENT HIGHLIGHTS**

The Board believes that there should be a balance of institutional knowledge and fresh perspectives among our Directors. In this regard, nearly half of our Director nominees have joined our Board in the last five years. In January 2019, our Board elected Paul Walsh, adding significant international, consumer-centric experience to our Board. Additionally, in March 2019, Jeanne Jackson announced she has decided not to stand for re-election at the 2019 Annual Shareholders’ Meeting.

**JANUARY 2015**

Margaret Georgiadis elected as Director

**AUGUST 2015**

Lloyd Dean and John Mulligan elected as Directors

**JANUARY 2019**

Paul Walsh elected as Director and appointed to Compensation Committee and Sustainability & Corporate Responsibility Committee

**JANUARY 2015**

Stephen Easterbrook appointed as President and Chief Executive Officer and elected as Director, effective March 2015

**MAY 2016**

Rick Hernandez appointed Independent Chairman

Committee Chairs refreshed

**MARCH 2019**

Jeanne Jackson announced she has decided not to stand for re-election

**Table of Contents**

Proxy Statement Summary

**OVERVIEW OF DIRECTORS**

The following table provides an overview of our current Directors. With the exception of Jeanne Jackson, all of our current Directors are nominees for election at the 2019 Annual Shareholders' Meeting. Additional information regarding our Director nominees begins on page 13.

Name	Director since	Primary occupation	Independent	Committee membership					
				AFC	CC	GC	SCR	PPS	EC
<b>Lloyd Dean</b>	2015	Co-CEO CommonSpirit Health President and CEO							
<b>Stephen Easterbrook</b>	2015	McDonald's Corporation Operating Partner							
<b>Robert Eckert</b>	2003	Friedman, Fleischer & Lowe, LLC CEO							
<b>Margaret Georgiadis</b>	2015	Ancestry							
<b>Enrique Hernandez, Jr.</b> Chairman of the Board	1996	Chairman and CEO Inter-Con Security Systems, Inc. CEO							
<b>Jeanne Jackson</b>	1999	MSP Capital Non-executive Chairman							
<b>Richard Lenny</b>	2005	Conagra Brands, Inc. Executive Vice President and COO							
<b>John Mulligan</b>	2015	Target Corporation Non-executive Chairman							
<b>Sheila Penrose</b>	2006	Jones Lang LaSalle Incorporated Founder, Chairman, CEO and CIO							
<b>John Rogers, Jr.</b>	2003	Ariel Investments, LLC Chairman							
<b>Paul Walsh</b>	2019	Compass Group PLC Chairman and CEO							
<b>Miles White</b>	2009	Abbott Laboratories							

  

	= Sustainability & Corporate Responsibility	
<b>AFC</b> Committee	<b>SCR</b> Committee	= Member
= Audit & Finance	= Public Policy & Strategy Committee	= Committee Chair
<b>CC</b> Committee	<b>PPS</b> Strategy Committee	
= Compensation	<b>EC</b> = Executive Committee	<b>F</b> = Financial Expert
<b>GC</b> = Governance Committee		

2019 Proxy Statement **9**

**Table of Contents**

[Proxy Statement Summary](#)

**STRONG BOARD AND GOVERNANCE PRACTICES**

Separate Chairman and CEO roles with independent Chairman	Robust annual Board and Committee self-assessments and Director peer review; including 1:1 discussions with Chairman and Directors	Proxy access for Director candidates nominated by shareholders reflecting standard market practices
Diverse, independent Board	Annual election of Directors	Shareholder right to call special meetings
Board tenure balances refreshment with institutional knowledge	Majority voting standard for uncontested Director elections	Capital structure that requires one vote per share of common stock
Board Committees are 100% independent (except Executive Committee)	Significant shareholder outreach and engagement	Public disclosure of corporate political contributions and certain trade association memberships
Executive sessions of independent Directors scheduled for each regular Board and Committee meeting	Stock ownership guidelines for Directors	No shareholder rights plan
Regular succession planning at CEO, senior management and Board levels	Board oversight of enterprise risk management	Annual advisory vote on executive compensation

**RESPONSIBLE LEADERSHIP HIGHLIGHTS**

We recognize the link between our Company’s success, value creation for our shareholders and our ability to positively impact the industry and communities in which we operate. The Company’s sustainability vision and initiatives are embodied in our Scale for Good platform. This platform is aligned with our strategic objectives and is designed to drive meaningful change in partnership with our franchisees and suppliers. Our Scale for Good priorities include beef sustainability, packaging and recycling, commitment to families, climate action and youth opportunity. We also continue to drive progress on our goals and commitments across key social and environmental topics such as diversity and inclusion, animal health and welfare, responsible sourcing and supporting farmers.

In addition to our Scale for Good platform, we are demonstrating leadership as an employer by providing employment opportunities, training, tuition assistance and educational resources, and we continue to enhance our transparency on employment practices. For more details about our Scale for Good platform and other sustainability efforts, please see page 34 of this Proxy Statement.

**EXECUTIVE COMPENSATION HIGHLIGHTS**

Our executive compensation program is designed to support business initiatives, align the interests of our executives with those of our shareholders and strongly link pay and performance. We believe that our compensation program effectively incentivizes our executives through a mix of short- and long-term awards, which include rigorous performance goals that utilize objective metrics, reflecting key drivers of the Company’s business strategy.

Following the Company’s transition from turnaround to growth, our Compensation Committee undertook a holistic review of our incentive compensation programs, supported by market insights, including from the Committee’s independent advisor. This review, along with our historically strong shareholder support of executive compensation, confirms that our compensation program remains appropriately aligned with our compensation guiding principles and supports the key elements of the Velocity Growth Plan.

**Table of Contents**[Proxy Statement Summary](#)**PERFORMANCE-BASED COMPENSATION****CEO****91%**

91% of CEO's target direct compensation opportunity is performance-based

A significant portion of our executive compensation is variable based on the Company's financial, operating and stock price performance. The execution of our Velocity Growth Plan produced strong results in 2018, including 14 consecutive quarters of comparable sales growth and the first back-to-back year of comparable guest count growth since 2012. Payouts in 2018 continue to demonstrate our sound pay-for-performance culture. As described in more detail in the Compensation Discussion and Analysis (CD&A), the Corporate STIP payout was equal to 101.1% of target, and 173.3% of the 2016 - 2018 performance-based RSUs vested.

**OTHER NEOs****72%**

72% of other named executive officers' target direct compensation opportunity as a group is performance-based

**2018 COMPENSATION PROGRAM SUMMARY**

The following summarizes our key compensation elements and percentage of direct CEO pay opportunity for 2018:

Key compensation elements and CEO %		Primary metric	Key terms
9%	<b>Base Salary</b>	N/A	Evaluated based on competitive considerations, changes in responsibilities, individual performance, tenure in position, internal pay equity and the effect on our general and administrative expenses
16%	<b>Short-Term Incentive Plan (STIP) Long-Term Incentives</b>	Operating income growth	Rewards growth in annual operating income, which measures the success of the most important elements of our business strategy Includes objective, pre-established modifiers that are important drivers of the Velocity Growth Plan
38%	<b>Performance-Based Restricted Stock Units (RSUs)</b>	Earnings per share (EPS) growth Return on incremental invested capital (ROIIC) Total shareholder return (TSR)	Cliff vest at end of three-year service period, subject to achievement of EPS growth and ROIIC thresholds Provide value only if share price increases (with an exercise price equaling the stock price on the grant date), thereby closely aligning executive pay with shareholder interests Vest 25% per year
37%	<b>Stock Options</b>	Share price	10-year term

**Table of Contents**

[Proxy Statement Summary](#)

In addition, our Compensation Committee adheres to the following best practices:

**WHAT WE DO    WHAT WE DO NOT DO**

- Strong pay-for-performance alignment
- Challenging quantitative performance targets
- Compensation metrics closely align with Company's strategic objectives
- Performance metrics support the Company's growth strategy and align interests of management with interests of shareholders
- Oversight of executive workforce diversity and the administration of equitable compensation programs
- Majority of direct compensation paid over the long-term
- Double-trigger change in control equity provisions
- Independent compensation consultant
- Significant stock ownership and retention requirements
- Anti-hedging and pledging policy
- Clawback provisions
- Change in control agreements
- Tax gross-up on perquisites
- Repricing of stock options
- Backdating of stock options
- Encourage unreasonable risk taking
- Employment agreements



**Table of Contents**

**Election of Directors**

**ITEM TO BE VOTED ON**

Our Board of Directors recommends the following nominees for election to our Board of Directors for a one-year term beginning in May and continuing until the 2020 Annual Shareholders' Meeting and until their successors have been elected and qualified:

- |                        |                           |                     |                 |
|------------------------|---------------------------|---------------------|-----------------|
| 1. Lloyd Dean          | 4. Margaret Georgiadis    | 7. John Mulligan    | 10. Paul Walsh  |
| 2. Stephen Easterbrook | 5. Enrique Hernandez, Jr. | 8. Sheila Penrose   | 11. Miles White |
| 3. Robert Eckert       | 6. Richard Lenny          | 9. John Rogers, Jr. |                 |

**VOTING RECOMMENDATION**

Our Board recommends a vote **FOR** each of the 11 Director nominees.

Our Board expects all nominees to be available for election. If any of them becomes unable to serve at any time prior to the Annual Shareholders' Meeting, our Board may substitute another person as a nominee or may reduce the number of Directors to eliminate the vacancy. If you have voted for the unavailable nominee, your shares will be voted for any substitute nominee.

Nominees who receive a majority of the votes cast will be elected. Each Director has tendered an irrevocable resignation that will be effective if he or she does not receive a majority of the votes cast and, upon the recommendation of our Governance Committee, our Board accepts his or her resignation following the meeting. With the exception of our CEO, all Director nominees are independent.

Jeanne Jackson has decided not to stand for re-election at the 2019 Annual Shareholders' Meeting. Therefore, the size of our Board will be decreased by one Director effective as of the Annual Shareholders' Meeting.

**DIRECTOR QUALIFICATIONS**

Our Board is a diverse, highly-engaged group of individuals that provides strong, effective oversight of the Company. Both individually and collectively, our Directors have the qualifications, skills and experience needed to inform and oversee the Company's long-term strategic growth priorities under the Velocity Growth Plan.

Importantly, each Director has senior executive experience, in many cases having served as CEOs or high-level executives of large, complex, global organizations. Specifically, several Directors have leadership experience in the consumer goods or food sectors, which is particularly relevant to McDonald's business. Further, as it is increasingly important to modern and progressive businesses, our Board values expertise in information technology, cybersecurity and digital initiatives. Our Board also values global experience given the Company's global, branded operations. These skills, along with the other skills and attributes discussed below, are key considerations in evaluating the composition of our Board and inform our Board's succession planning and Director selection processes.

Our Director nominees' individual skills and experiences are included on the following pages. In addition, all Director nominees demonstrate the following qualities:

**KEY ATTRIBUTES AND SKILLS OF ALL DIRECTOR NOMINEES**

- |                          |   |                                |
|--------------------------|---|--------------------------------|
| High Integrity           | Strength of Character and Judgment          | Intellectual/Analytical Skills |
| Proven Record of Success | Knowledge of Corporate Governance Practices | Strategic Planning             |
| Leadership               | Talent Management/Succession Planning       | Risk Assessment and Oversight  |

## **Table of Contents**

### [Election of Directors](#)

In addition, our Director nominees contribute to our Board the individual experiences, qualifications, attributes and skills shown in the following matrix. The skills identified in the matrix are intended as a high-level summary and not an exhaustive list:

#### **BRAND MANAGEMENT**

Contributes to an understanding of how the Company's business, standards and performance are essential to protecting and increasing the value of the McDonald's brand

#### **CUSTOMER-CENTRIC**

Provides an understanding of the Company's business, operations and customer-centric Velocity Growth Plan strategy, focusing on elevating the overall customer experience

#### **GLOBAL EXPERIENCE**

Contributes to an understanding of how the Company's business is structured to enable the right level of support for our international markets, as well as the sharing of solutions across international markets

#### **MARKETING/DIGITAL**

Provides an understanding of how the Company's traditional (dine in or drive-thru pickup) and evolving digital business models are marketed to consumers in a manner consistent with the Company's strategy

#### **INFORMATION TECHNOLOGY/CYBERSECURITY**

Contributes to an understanding of information technology capabilities, cloud computing, scalable data analytics and risks associated with cybersecurity matters

#### **REAL ESTATE**

Provides an understanding of how owning or leasing real estate, combined with co-investment by franchisees, enables the Company to achieve high restaurant performance levels

#### **FINANCE/CAPITAL MARKETS**

Supports the oversight of the Company's financial statements and strategy and financial reporting to investors and other stakeholders

#### **SUSTAINABILITY/CORPORATE RESPONSIBILITY**

Contributes to an understanding of sustainability issues and corporate responsibility, and their relationship to the Company's business and strategy

#### **ETHNIC/GENDER DIVERSITY**

Contributes to the representation of varied backgrounds, perspectives and experience in the boardroom to support the global demands of our business and understanding of customer perspectives

#### **OTHER PUBLIC COMPANY BOARD**

Demonstrates a practical understanding of organizations, processes, governance and oversight of strategy, risk management, and driving change and growth

#### **BOARD OR COMMITTEE CHAIR**

Provides leadership experience in Board or Board Committee environment

Further biographical information about each Director standing for re-election, his or her professional experience, qualifications and other directorships is set forth on the following pages.

**Table of Contents**

[Election of Directors](#)

**BIOGRAPHICAL INFORMATION**

**LLOYD DEAN**

**PROFESSIONAL EXPERIENCE**

[CommonSpirit Health](#), a non-profit Catholic health system

Co-Chief Executive Officer (2019 - Present)

[Dignity Health](#), one of the nation's largest healthcare systems

President and Chief Executive Officer (2000 - Present)

[Advocate Health Care](#), a healthcare organization

Chief Operating Officer (1997 - 2000)

**DIRECTOR QUALIFICATIONS**

In his career in executive management at leading healthcare organizations, Mr. Dean has led significant strategic, operational and financial transformations. He brings over 25 years of leadership, management and strategy experience to our Board, which contributes an important perspective to our Board's discussion of opportunities and challenges in a constantly changing business environment. We also benefit from Mr. Dean's finance, systems operations, service quality and human resources, customer-centric operations and community affairs expertise.

**OTHER DIRECTORSHIPS**

Mr. Dean previously served on the Boards of Cytori Therapeutics, Inc., Navigant Consulting, Inc., Premier, Inc. and Wells Fargo & Company.

**SKILLS AND QUALIFICATIONS**

**STEPHEN EASTERBROOK**

**PROFESSIONAL EXPERIENCE**

[McDonald's Corporation](#)

President and Chief Executive Officer (2015 - Present)

Corporate Senior Executive Vice President and Global Chief Brand Officer (2014 - 2015)

Corporate Executive Vice President and Global Chief Brand Officer (2013 - 2014)

President, McDonald's Europe (2010 - 2011)

[Wagamama Limited](#), a Japanese-inspired restaurant company

Chief Executive Officer (2012 - 2013)

[Pizza Express Limited](#), a casual dining company in the United Kingdom

Chief Executive Officer (2011 - 2012)

**DIRECTOR QUALIFICATIONS**

Mr. Easterbrook's experience enables him to contribute an important Company perspective and comprehensive industry knowledge to Board discussions about the Company's business and relationships with key constituencies and stakeholders in the McDonald's system, including franchisees and suppliers. This experience adds to our Board's knowledge and understanding as it oversees our global operations and strategy. Mr. Easterbrook also led two United Kingdom-based restaurant chains, giving him broader industry perspective and a deeper understanding of consumer preferences.

**OTHER DIRECTORSHIPS**

Mr. Easterbrook also serves on the Board of Walmart Inc.

**SKILLS AND QUALIFICATIONS**

**Table of Contents**

Election of Directors

**ROBERT ECKERT**

**PROFESSIONAL EXPERIENCE**

*Friedman, Fleischer & Lowe, LLC, a private equity firm*

Operating Partner (2014 - Present)

*Mattel, Inc., a global children's entertainment company specializing in toys and consumer products*

Chairman of the Board (2000 - 2012); Chief Executive Officer (2000 - 2011)

*Kraft Foods Inc., a packaged food company*

President and Chief Executive Officer (1997 - 2000)

**DIRECTOR QUALIFICATIONS**

Mr. Eckert's service as a chief executive officer of large, global consumer branded and food products companies contributes to our Board's understanding of business and product development, marketing, supply chain management and distribution, and consumer behavior. He brings experience as a senior executive of global consumer brand companies with high performance expectations. In addition, through his role on other companies' boards of directors, Mr. Eckert has extensive experience in corporate governance, leadership development and succession planning and finance.

**OTHER DIRECTORSHIPS**

Mr. Eckert also serves as the lead independent director of Amgen Inc. and on the Board of Levi Strauss & Co.

**SKILLS AND QUALIFICATIONS**

**MARGARET GEORGIADIS**

**PROFESSIONAL EXPERIENCE**

*Ancestry, a global family history and consumer genomics company*

Chief Executive Officer (2018 - present)

*Mattel, Inc., a global children's entertainment company specializing in toys and consumer products*

Chief Executive Officer (2017 - 2018)

*Google Inc., a global technology company*

President, Americas (2011 - 2017)

Vice President, Global Sales Operations (2009 - 2011)

**DIRECTOR QUALIFICATIONS**

Ms. Georgiadis' experience as a senior executive at large global businesses affords her a broad knowledge of global consumer businesses and marketing, as well as technology, digital consumer insights, e-commerce, finance, leadership, global business, and strategy and development. She has led teams that successfully have launched new products. Her knowledge in these and other areas provides critical insights to our business, particularly as our Board considers the impact of technology, digital and cybersecurity risks. Ms. Georgiadis also has over 15 years of analytical and strategic experience at McKinsey & Company, a global management and consulting firm.

**OTHER DIRECTORSHIPS**

Ms. Georgiadis previously served on the Boards of Amyris, Inc., Mattel, Inc. and The Jones Group, Inc.

**SKILLS AND QUALIFICATIONS**

**Table of Contents**

Election of Directors

**ENRIQUE HERNANDEZ, JR.**

**PROFESSIONAL EXPERIENCE**

*Inter-Con Security Systems, Inc., a provider of security services to corporations, governments, diplomatic missions and non-profit organizations*

Chairman and Chief Executive Officer (1986 - Present)

*Nordstrom, Inc., a leading fashion retailer*

Non-executive Chairman and Presiding Director (2006 - 2016)

**DIRECTOR QUALIFICATIONS**

Mr. Hernandez is the chief executive officer of a global security company and has been a director of several large public companies in various industries. In addition, Mr. Hernandez served for five years as lead director and ten years as non-executive chairman and presiding director at Nordstrom, Inc., a large publicly-traded retail company known for its customer service, providing him with significant experience in corporate governance, leadership development, succession planning and finance. Mr. Hernandez's experience also facilitates our Board's oversight and counsel regarding strategy and business development.

**OTHER DIRECTORSHIPS**

Mr. Hernandez also serves on the Board of Chevron Corporation. He previously served on the Boards of Nordstrom, Inc. and Wells Fargo & Company.

**SKILLS AND QUALIFICATIONS**

**RICHARD LENNY**

**PROFESSIONAL EXPERIENCE**

*Conagra Brands, Inc., a branded food company*

Non-executive Chairman (2018 - Present)

*Information Resources, Inc., a leading market research firm*

Non-executive Chairman (2013 - Present)

*Friedman, Fleischer & Lowe, LLC, a private equity firm*

Senior Advisor (2014 - 2016)

Operating Partner (2011 - 2014)

*The Hershey Company, an industry-leading snacks company*

Chairman, President and Chief Executive Officer (2001 - 2007)

**DIRECTOR QUALIFICATIONS**

Mr. Lenny's experience as a chief executive officer of a global retail food company with a major consumer brand is an asset to our Board given his knowledge of strategy and business development, finance, marketing and consumer insights, supply chain management and distribution, sustainability and social responsibility matters. He previously served in executive-level positions with Kraft Foods, Nabisco Biscuit and Snacks and the Pillsbury Company, providing him extensive experience with major consumer brands in the food industry. He also serves as non-executive chairman of one of North America's leading food companies and as director of Evans Food Group, a privately-held snack food manufacturer, which provides Mr. Lenny with further industry knowledge. In addition, his service as non-executive chairman of Information Resources, Inc. provides additional Board and governance experience.

**OTHER DIRECTORSHIPS**

Mr. Lenny also serves on the Boards of ConAgra Brands, Inc. and Illinois Tool Works Inc. He previously served on the Board of Discover Financial Services.

**SKILLS AND QUALIFICATIONS**

**Table of Contents**

Election of Directors

**JOHN MULLIGAN**

**PROFESSIONAL EXPERIENCE**

*Target Corporation, a general merchandise retailer with an online presence*

Executive Vice President and Chief Operating Officer (2015 - Present)

Executive Vice President and Chief Financial Officer (2012 - 2015)

Senior Vice President, Treasury, Accounting and Operations (2010 - 2012)

**DIRECTOR QUALIFICATIONS**

Mr. Mulligan's experience as a senior executive for a major consumer retailer has provided him with extensive experience in finance, global supply chain, operations, e-commerce, properties and human resources. His service at a retailer known for its focus on creating an exceptional guest experience brings customer-centric experience to our Board. In addition, his experience in digital and technology issues, including cybersecurity risk, is an important asset as our Board considers these topics and their potential impact on the Company. In addition, Mr. Mulligan's qualification as an "audit committee financial expert" is an important attribute as our Audit & Finance Committee Chair.

**OTHER DIRECTORSHIPS**

None

**SKILLS AND QUALIFICATIONS**

**SHEILA PENROSE**

**PROFESSIONAL EXPERIENCE**

*Jones Lang LaSalle Incorporated, a global real estate services and investment management firm*

Non-executive Chairman (2005 - Present)

*Boston Consulting Group, a global management consulting firm*

Executive Advisor (2001 - 2008)

*Northern Trust Corporation, a financial services firm*

President, Corporate and Institutional Services (1994 - 2000)

**DIRECTOR QUALIFICATIONS**

Ms. Penrose brings to our Board extensive experience in and knowledge of investment services, banking, and real estate, all areas of significance to the Company. She is well-versed in strategy and business development, finance, and leadership development and succession planning. Ms. Penrose also has significant experience in corporate governance from her service on other boards of directors, including as non-executive chairman at Jones Lang LaSalle. In addition, Ms. Penrose co-founded the Corporate Leadership Center, which partners with leading institutions to offer programs in executive leadership development.

**OTHER DIRECTORSHIPS**

Ms. Penrose also serves on the Board of Jones Lang LaSalle Incorporated.

**SKILLS AND QUALIFICATIONS**

**Table of Contents**

Election of Directors

**JOHN ROGERS, JR.**

**PROFESSIONAL EXPERIENCE**

*Ariel Investments, LLC, a privately-held institutional money management firm*

Founder, Chairman, Chief Executive Officer and Chief Investment Officer (1983 - Present)

*Ariel Investment Trust, an investment company consisting of mutual funds managed by Ariel Investments, LLC*

Trustee (2000 - Present; 1986 - 1993)

**DIRECTOR QUALIFICATIONS**

Mr. Rogers' experience as a long-serving chief executive officer of an institutional money management firm has given him broad knowledge of finance, leadership development and succession planning, as well as strategy and business development. Mr. Rogers' investment management knowledge also provides a unique perspective on investor relations. Mr. Rogers also brings perspective to the Company's corporate responsibility and community affairs initiatives, and his service on other boards such as Nike, Inc. and The New York Times Company adds global, customer-centric and brand management experience.

**OTHER DIRECTORSHIPS**

Mr. Rogers also serves on the Boards of Ariel Investment Trust, Nike, Inc. and The New York Times Company. He will retire from the Board of Exelon Corporation at its 2019 Annual Meeting of Shareholders.

**SKILLS AND QUALIFICATIONS**

**PAUL WALSH**

**PROFESSIONAL EXPERIENCE**

*Compass Group PLC, a leading foodservice and support services company*

Chairman (2014 - Present)

*Avanti Communications Group plc, a leading satellite operator providing internet and data services*

Chairman (2013 - Present)

*Diageo plc, a multinational beverage company*

Chief Executive Officer (2000 - 2013)

Chief Operating Officer (2000)

*The Pillsbury Company, a wholly-owned subsidiary of Diageo plc*

Chairman and President (1996 - 1999)

**DIRECTOR QUALIFICATIONS**

Mr. Walsh's experience as chief executive officer of a large multinational corporation provides substantial corporate leadership experience, knowledge of consumer-centric companies in the food service industry and international operations experience. He also has held executive-level finance positions, including as chief financial officer of Grand Metropolitan Foods and Intercontinental Hotels. Throughout his career, Mr. Walsh has built success and growth at his companies through the deployment of effective brand marketing strategies, which brings added perspective to our Board.

**OTHER DIRECTORSHIPS**

Mr. Walsh also serves on the Boards of FedEx Corporation, Compass Group PLC, RM2 International, S.A. and TPG Pace Holdings Corp. He is expected to retire from the Board of Avanti Communications Group plc in June 2019. He previously served on the Boards of HSBC Holdings plc, Ontex Group NV and Unilever PLC.

**SKILLS AND QUALIFICATIONS**

**Table of Contents**

Election of Directors

**MILES WHITE**

**PROFESSIONAL EXPERIENCE**

*Abbott Laboratories, a global healthcare company*

Chairman and Chief Executive Officer (1999 - Present)

**DIRECTOR QUALIFICATIONS**

As the long-standing chairman and chief executive officer of a global healthcare company that develops products and technologies that span the breadth of healthcare, Mr. White has extensive knowledge of strategy and business development, global operations, finance, leadership development and succession planning, public policy matters and corporate governance. Abbott's focus on developing consumer products and technologies brings customer-centric and marketing/ digital knowledge to our Board. In addition, he brings to our Board strong experience in addressing the needs of a global public company, as well as insights into our Board's responsibility to oversee management and operations matters. As Governance Committee Chair, Mr. White leads our Board's succession planning and director candidate selection process, and he is periodically involved in shareholder engagement.

**OTHER DIRECTORSHIPS**

Mr. White also serves on the Boards of Abbott Laboratories and Caterpillar, Inc.

**SKILLS AND QUALIFICATIONS**

**VOTING  
RECOMMENDATION**

Our Board of Directors recommends that shareholders vote

**FOR** all nominees.



**Table of Contents**

**Board and Governance Matters**  
**BOARD LEADERSHIP**

Our separate Chairman and CEO roles enable our independent Chairman to oversee our Board and corporate governance matters and our CEO to lead the Company's business. Independent Directors also chair our Board Committees, other than the Executive Committee. This structure facilitates effective oversight, and further strengthens our Board's independent leadership and commitment to enhancing shareholder value and sound governance. We believe that this structure is appropriate due to the Company's position as a global foodservice retailer, with nearly 38,000 locations in over 100 countries.

Our Chairman facilitates the flow of information between management and our Board. This fosters open dialogue and constructive feedback among the independent Directors and management. Further, our Chairman leads a critical evaluation of Company management, business practices and culture, as well as oversight of Company strategy. Our Board assesses this leadership structure annually to confirm it continues to meet the evolving needs of the Company and its shareholders. Enrique Hernandez, Jr. has served as our Board's independent Chairman since 2016.

**BOARD COMPOSITION AND SUCCESSION PLANNING**

Our Board is comprised of a diverse, highly-engaged group of Directors who contribute to overall Board and Committee effectiveness. Under our Corporate Governance Principles, our Governance Committee is primarily responsible for maintaining a strong and diverse Board through robust evaluation and succession planning processes, which include recommending Directors for re-election and identifying new candidates who will bring complementary skills and differentiated perspectives to our Board.

Our Governance Committee evaluates and determines the appropriate and desirable mix of characteristics, skills, experience and diversity for our Board as a whole, as well as the qualifications and attributes of individual Directors and Director candidates. When selecting new Director candidates, our Governance Committee considers the qualifications discussed on page 23. Our Governance Committee also reviews each current Director's contributions, considering the results of the most recent Board, Committee and peer evaluations, as further described on page 24.

Our Board believes that there should be a balance of institutional knowledge and fresh perspectives among our Directors. In this regard, nearly half of our Director nominees have joined our Board in the last five years. In 2019, our Board elected Paul Walsh to serve as Director, adding significant international, consumer-centric experience to our Board. Additionally, in March 2019, Jeanne Jackson announced she has decided not to stand for re-election at the 2019 Annual Shareholders' Meeting.

Our Governance Committee strives to achieve an appropriate balance of continuity and refreshment through a mix of newer and longer-tenured Directors. Our Board and Governance Committee strongly believe that long tenure does not itself impair a Director's independence and often enhances a Director's ability to demonstrate independence. Each of our Directors is a dynamic leader whose experiences and perspectives are continually evolving as he or she navigates today's fast-paced, ever-changing business environment both as a Director of McDonald's and in his or her other professional roles. While our Governance Committee and Board consider tenure in evaluating the overall effectiveness of our Board, it is not a dispositive factor. Our Board and Governance Committee also consider each Director's availability and willingness to serve on our Board, recognizing that it is a significant time commitment to serve as a Director of the Company.

As the Company's strategic priorities continue to evolve and in consideration of anticipated retirements and departures, our Governance Committee continues to proactively evaluate our Board's composition to facilitate a smooth transition of skills, experience and diversity in the boardroom.

## **Table of Contents**

### Board and Governance Matters

Our Board continues to reflect a diverse and highly-engaged group of Directors with a wide range of skills and experience, which continue to evolve with the Company's strategy. Nearly half of our Director nominees have joined our Board in the last five years. The following provides additional information about our Director nominees.

## **INDEPENDENT**

**10 of 11**

All independent, except the CEO

## **DIVERSE**

**45%**

Women or minorities

## **BALANCED EXPERIENCE**

Fresh perspectives balanced with institutional knowledge

## **BOARD DIVERSITY**

Our Governance Committee, together with our Board, proactively seeks diverse Director candidates to provide representation of varied backgrounds, perspectives and experience in the boardroom to support the global demands of our business. Diversity is considered in a broad sense, including, among other attributes, leadership, experience, skills, perspectives, gender, ethnicity and geography. Our current Directors bring a diverse set of skills and experiences to the Company that are important to drive our strategy forward as the market and competitive landscape evolve. When seeking new Director candidates, our Governance Committee actively endeavors to include women, racial or ethnic minorities and geographically-diverse persons in the candidate pool. Most recently, our Board elected Paul Walsh to serve as Director, which adds important global diversity to our Board, as approximately 60% of the Company's revenues are from outside the U.S.

## **DIRECTOR INDEPENDENCE**

Our Corporate Governance Principles require that all non-management Directors be independent under applicable law and listing standards, as well as under our Board's Standards on Director Independence. This is important to ensure Board representation free of any relationship with the Company or our management that may impair, or appear to impair, a Director's ability to make independent judgments. Our Board considers relationships involving Directors and their immediate family members and relies on information derived from Company records, questionnaires and other inquiries.

The relationships reviewed by our Board in its most recent determination involved commercial relationships with companies:

At which Board members then served as officers and employees (including Target Corporation); and  
At which Board members then served as outside Directors (including Conagra Brands, Inc., Delta Air Lines, Discover Financial Services, Exelon Corporation, FedEx Corporation, Illinois Tool Works, Inc., Jones Lang LaSalle Incorporated, The Kraft Heinz Company and Wells Fargo & Company).

These relationships involved McDonald's purchases of products and services in the ordinary course of business that were made on arm's-length terms in amounts and under other circumstances that did not affect Director independence.

Based on its review, our Board determined that none of its non-management Directors has a material relationship with the Company and that all of them are independent. Currently, our non-management Directors are Lloyd Dean, Robert Eckert, Margaret Georgiadis, Enrique Hernandez, Jr., Jeanne Jackson, Richard Lenny, John Mulligan, Sheila Penrose, John Rogers, Jr., Paul Walsh

and Miles White.

Our Board's Standards on Director Independence are available on the Company's website at:

<http://corporate.mcdonalds.com/content/corpmcd/investors-relations/governance-principle-policies-and-guidelines.html>.

22 McDonald's Corporation

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## **Table of Contents**

Board and Governance Matters

### **SELECTION OF NEW DIRECTOR CANDIDATES**

Our Governance Committee, together with our Board, maintains a robust policy for the consideration of potential Director candidates and is responsible for establishing criteria, screening candidates and evaluating the qualifications of persons who may be considered for service as a Director, including candidates nominated or suggested by shareholders. Our Governance Committee also retains search firms, consultants and any other advisors as appropriate to help identify, screen and evaluate potential Director candidates and to enhance our Board's preparedness in the event of an unanticipated Director departure. As noted above, in 2019 our Board elected Paul Walsh, who was identified with the assistance of a third-party search firm.

The following describes the Company's selection process for new Directors:

#### **Succession Planning**

Our Governance Committee considers current and long-term needs of our evolving business and seeks potential Director candidates in light of emerging needs, current Board structure, tenure, skills, diversity and experience.

Our Governance Committee engages in a search process to identify qualified Director candidates, which includes the use of an independent search firm to assess whether candidates' skills, experience and background are aligned with the Company's business strategy. Among other qualifications, our Governance Committee considers:

- High integrity and business ethics
- Strength of character and judgment
- Necessary skills to meet the evolving needs of our business
- Ethnic, gender and geographic diversity
- Ability and willingness to devote sufficient time to Board duties
- Independence from management

#### **Identification of Candidates**

#### **Meeting with Candidates**

Potential Director candidates are interviewed by our Chairman, CEO and Governance Committee Chair.

#### **Decision and Nomination**

Our Governance Committee recommends, and the full Board approves, the Director candidates best qualified to serve the interests of the Company and all shareholders for nomination.

#### **Election**

Shareholders consider the nominees and elect Directors at the Annual Shareholders' Meeting to serve one-year terms. Our Board may also elect Directors on the recommendation of the Governance Committee throughout the year when determined to be in the best interests of the Company and our shareholders.

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Our Board's Director Selection Process is available on the Company's website at:

<http://corporate.mcdonalds.com/content/corpmcd/investors-relations/governance-principle-policies-and-guidelines.html>.

2019 Proxy Statement [23](#)

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## **Table of Contents**

Board and Governance Matters

### **BOARD AND COMMITTEE EVALUATIONS**

Our Board is committed to regular evaluations of itself, its Committees and Directors to measure ongoing effectiveness and succession planning. Each year, Directors are asked to complete a written evaluation of our Board, their peers and the Committees on which they serve. The following describes the process by which our Board currently carries out these evaluations:

Directors complete Board, peer and Committee evaluations. Board and peer evaluations are sent directly to an independent third party, and Committee evaluations are sent to the respective Committee Chair.

#### **Board evaluations consider:**

- General Board practices, including fostering a culture that promotes candid discussion
- Input for improvement
- Suggestions for new skills and experiences for potential future candidates
- Effectiveness in attaining diverse representation on our Board

#### **Peer evaluations consider a Director's:**

- Contributions to Board discussions and decisions throughout the year
- Sharing of knowledge and expertise with our Board and senior management
- Staying informed on matters that impact the Company
- Acting independently and in the best interests of shareholders

#### **Committee evaluations consider:**

- Members' balance of skills and experiences to promote active participation
- Adequacy of information received, including access to non-management resources
- Committee effectiveness

### **Annual Written Evaluations**

### **Independent Third Party Generates Report**

To protect anonymity and the integrity of our Board and peer evaluation process, an independent third party compiles responses to these evaluations into a report for our Governance Committee Chair.

### **Discussion of Results**

Our Governance Committee and full Board discuss our Board and peer evaluation results. Each Committee, except the Executive Committee, discusses its respective Committee evaluation in executive session and determines if any follow-up actions are appropriate. In addition, our Chairman also individually discusses with other Directors their views on the overall effectiveness of our Board, which feedback is considered in connection with the results of the written evaluations.

### **Incorporation of Feedback**

Our Board and each Committee, except for the Executive Committee, develops and executes plans to take actions based on the results, as appropriate. Our Governance Committee Chair follows up with

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Directors regarding their peer evaluation results, as appropriate.

24 McDonald's Corporation

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## **Table of Contents**

### Board and Governance Matters

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

Upon joining our Board, Directors participate in an orientation process, which includes introductions to members of our senior management and information about our operations, performance, strategic plans, and corporate governance practices. In addition, members of senior management and other speakers are periodically invited to attend portions of Board meetings to provide updates on business and general industry trends, governance, regulatory, legal and financial matters. For example, our Board and our Committees received updates in 2018 on topics such as business strategy, technology and cybersecurity, human capital management, franchising, and the Company's Scale for Good platform.

Directors are also encouraged to participate in continuing education programs to help them stay informed of developments in corporate governance and emerging issues relating to the operation of public company boards. Directors also conduct periodic visits to our restaurants and, of course, are McDonald's customers. For more information on how Directors oversee and are informed on Company strategy, see page 32.

## **MEETING ATTENDANCE**

Our Board met six times during 2018. As a group, our Directors who served in 2018 attended 98% of the total number of meetings of our Board and respective Committees on which they serve. In addition, Directors are expected to attend the Annual Shareholders' Meeting and all Board meetings and meetings of the Committees on which they serve. All Directors who stood for re-election last year attended the 2018 Annual Shareholders' Meeting.

## **EXECUTIVE SESSIONS**

The independent Directors meet regularly in executive sessions, which, from time to time, include our CEO. An executive session is typically scheduled immediately before or after each regular Board meeting. At such sessions, our Chairman presides, except in such matters as may involve his re-election or compensation, in which case our Governance Committee Chair presides. Executive sessions are also regularly scheduled for Committee meetings, other than the Executive Committee, throughout the year.

## **BOARD COMMITTEES**

Our Board has the following Committees: Audit & Finance; Compensation; Governance; Public Policy & Strategy; Sustainability & Corporate Responsibility and Executive. All Committee members are independent as defined by the listing standards of the New York Stock Exchange (NYSE) and our Board's Standards on Director Independence, except for our CEO, who serves solely on the Executive Committee. In addition, our Board has determined that each member of our Audit & Finance Committee is financially literate, and that Lloyd Dean, Margaret Georgiadis and John Mulligan qualify as "audit committee financial experts" as defined by applicable SEC rules and NYSE listing standards.

Each Committee has the responsibilities set forth in its respective Charter, which has been adopted by our Board. Other than the Executive Committee, all Committees review their respective Charters at least annually, and any changes are recommended to the full Board for approval. In 2018, to complement the Public Policy & Strategy Committee's oversight of human capital management matters and the Sustainability & Corporate Responsibility Committee's oversight of diversity and inclusion efforts, our Board approved amendments to our Compensation Committee Charter. These amendments memorialize our practice of periodically reviewing the Company's programs and practices related to executive workforce diversity, as well as our review of executive compensation programs to confirm they are administered in an equitable manner. Our Compensation Committee and our Board believe these were important updates in light of investors' increasing focus on those topics.

Committee Charters are available on the Company's website at: <http://corporate.mcdonalds.com/content/corpmcd/investors-relations/board-committees-and-charters.html>. The primary responsibilities of each Committee and current committee membership are summarized on the following pages. Each Committee also has oversight of risk areas as illustrated on page 31.



**Table of Contents**

Board and Governance Matters

**AUDIT & FINANCE COMMITTEE**

**MEMBERS**

John Mulligan  
(Chair) (FE)      Margaret  
Lloyd Dean (FE)      Georgiadis (FE)  
Sheila Penrose

Meetings in 2018:  
9      (FE) Financial  
Attendance: 100% Expert

Our Audit & Finance Committee establishes its meeting calendar for the following year during the fourth quarter, and will typically address the following key matters throughout the year:

**RELEVANT AREAS OF FOCUS**

Oversee financial reporting, accounting, control and compliance matters

Appoint and evaluate the independent auditor

Review with the internal and independent auditors the scope and results of their audits, the adequacy and effectiveness of internal controls and the performance of the internal auditors

Review material financial disclosures

Review the Company's capital structure, dividend policy and plans for share repurchases

Oversee financial risk and evaluate management's process to assess and manage enterprise risk issues

Preapprove all audit and permitted non-audit services

Review Sarbanes-Oxley and tax compliance

Review Disclosure Controls and Procedures

**Table of Contents**

Board and Governance Matters

**COMPENSATION COMMITTEE**

**MEMBERS**

Jeanne Jackson  
(Chair)  
Lloyd Dean  
Richard Lenny

Meetings in 2018: 6 John Rogers,  
Attendance: 100% Jr.  
Paul Walsh

**RELEVANT AREAS OF FOCUS**

Oversee executive compensation and the Company's compensation program and policies  
Review our executive compensation programs to confirm they are being administered in an equitable manner

Periodically review the Company's programs and practices related to executive workforce diversity

Review risks related to compensation programs and policies

For more information, see the Compensation Discussion and Analysis beginning on page 38.

Our Compensation Committee establishes its meeting calendar for the following year during the fourth quarter. While its calendar may vary from year to year, the Committee will typically address the following key matters throughout the year:

2019 Proxy Statement 27

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**Table of Contents**

Board and Governance Matters

**GOVERNANCE COMMITTEE**

**MEMBERS**

Miles White (Chair)  
Robert Eckert  
Enrique Hernandez,  
Jr.

Meetings in 2018: 7  
Attendance: 97%

Jeanne Jackson  
John Rogers,  
Jr.

**RELEVANT AREAS OF FOCUS**

- Advise as to our Board's structure, operations and Committee memberships
- Set criteria for Board membership
- Develop Board succession plans and make recommendations to our Board on succession matters
- Consider and recommend candidates for election, re-election or to fill vacancies
- Evaluate Director and Board performance and assess Board composition and size
- Recommend non-management Directors' compensation
- Review Corporate Governance Principles and oversee governance risks

Our Governance Committee establishes its meeting calendar for the following year during the fourth quarter, and will typically address the following key matters throughout the year:

**Table of Contents**

Board and Governance Matters

**PUBLIC POLICY & STRATEGY COMMITTEE**

**MEMBERS**

Robert  
Eckert (Chair)  
Enrique  
Hernandez, Jr.

Meetings in 2018: John  
5 Mulligan  
Attendance: Miles  
100% White

**RELEVANT AREAS OF FOCUS**

- Review and monitor the Company's long-term strategy development and implementation
- Review and monitor the Company's strategies and efforts to identify, evaluate and address trends, issues, regulatory matters and other concerns that could affect the Company's business activities and performance, as well as reputation and image
- Review and monitor government affairs strategies and priorities
- Review and monitor the Company's efforts to address human capital management matters
- Review and monitor tax strategy and the Company's assessment and management of cybersecurity and technology risks
- Review compliance matters, including compliance with the Company's Political Contributions Policy and employees' compliance with the Company's Standards of Business Conduct
- Review risks related to public policy and strategy matters

Our Public Policy & Strategy Committee establishes its meeting calendar for the following year during the fourth quarter, and will typically address the following key matters throughout the year:

## **Table of Contents**

Board and Governance Matters

## **SUSTAINABILITY & CORPORATE RESPONSIBILITY COMMITTEE**

### **MEMBERS**

Sheila Penrose  
(Chair)  
Margaret  
Georgiadis

Meetings in 2018: Richard  
4 Lenny

Attendance: 100% Paul Walsh

Our Sustainability Committee establishes its meeting calendar for the following year during the fourth quarter, and will typically address the following key matters throughout the year:

### **RELEVANT AREAS OF FOCUS**

Review and monitor the Company's strategies and efforts to address Brand trust through its performance as a sustainable organization

Review and monitor Scale for Good priorities and other matters important to the Company, including philanthropy and diversity and inclusion

Review and monitor the development and implementation of performance metrics with respect to the Company's Scale for Good

Review the Company's global sustainability communication plans and reporting

Review risks related to sustainability and corporate responsibility matters

### **EXECUTIVE COMMITTEE**

The Executive Committee may exercise most Board powers during the periods between Board meetings. The Executive Committee members are Stephen Easterbrook (Chair), Robert Eckert, Enrique Hernandez, Jr., Jeanne Jackson, John Mulligan and Miles White. The Executive Committee met once during 2018.

### **RISK OVERSIGHT**

Under the Company's Corporate Governance Principles, the entire Board is responsible for overseeing the Company's enterprise-wide risk management (ERM) framework and the processes that are in place to safeguard the Company's assets and manage risks facing the Company. The ERM framework is designed to identify, assess and prioritize strategic, financial and reputational risks with the potential to have a sustained impact on the Company. Management is responsible for the design and execution of the ERM framework, and our Board actively oversees the framework and risks identified. The Company's internal auditors also support risk identification and risk monitoring within the Company.

**Table of Contents**

[Board and Governance Matters](#)

The current ERM framework leverages internal risk committees comprised of cross-functional leadership, which meet regularly to evaluate and prioritize risk in the context of the Company's Velocity Growth Plan strategy and cultural transformation, with further escalation to our CEO and Board as appropriate. Our Board exercises oversight of the ERM framework, both as a full Board and through its standing Committees, which are comprised solely of independent Directors. An important element of our Board's oversight involves regular interaction among our Board and senior leadership regarding the Company's risk exposures and mitigation effects as they relate to the Company's business strategy and operations. Our Board also conducts an annual review of strategic and enterprise risks and considers, among other items, the Company's mitigation and overall strategy, competitive landscape, capital structure and succession planning.

Our Board's risk oversight process is further described as follows:

As shown in the graphic, each of the Audit & Finance, Compensation, Governance, Public Policy & Strategy and Sustainability & Corporate Responsibility Committees are responsible for overseeing risks within their respective areas of accountability. These Committees then report to the full Board any risks that the Committees conclude may be reasonably likely to be significant to the Company and regularly update the full Board on their particular risk oversight activities. Our Board also may consider emerging or evolving risks as they arise and assign them to a Committee for continuing oversight.

More information about specific risks facing the Company are set forth under the heading "Risk Factors and Cautionary Statement Regarding Forward-Looking Statements" in the Company's 2018 Annual Report on Form 10-K.

2019 Proxy Statement **31**

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## **Table of Contents**

### Board and Governance Matters

## **STRATEGY OVERSIGHT**

Our Board believes that a fundamental understanding of the Company's business, strategy and industry assists it in the effective discharge of its duties. As part of its oversight role, our Board reviews the Company's performance, including progress on the Velocity Growth Plan and related business accelerators. Additionally, our Board holds an annual strategy session with the Company's senior leadership team and other members of management who present our Board with important information about the Company's strategic priorities.

In 2018, Directors gathered at the Company's new headquarters in Chicago for the annual strategy session. During that session, management presented an update on the Velocity Growth Plan and the U.S. business, as well as other deep dive topics, including the use of technology to enhance the customer experience and improve restaurant efficiencies, franchising, global markets and our long-term outlook. Additionally, our Board visited the Company's strategy and innovation center in early 2019, where they observed the Company's focus on running great restaurants and restaurant innovation. Our Board may also conduct periodic market visits, and our Board most recently visited the United Kingdom market in connection with the 2017 strategy session.

Directors are also invited to attend the Company's biennial Worldwide Convention, where they, along with other constituencies of the McDonald's system, may learn more about themes impacting the Company's business. At the 2018 Worldwide Convention, these themes included running great restaurants, being customer obsessed and demonstrating global brand leadership.

In connection with our 2019 Annual Shareholders' Meeting, our Board will travel to Dallas, Texas, which is home to one of the Company's U.S. field offices. This will further connect our Board to an important part of our U.S. market and will provide our Directors with an opportunity to interact with local management.

Our Board's engagement in the Company's business and exposure to issues important to the Company's strategy provides our Board with useful information that enhances its performance, particularly in today's ever-changing business environment. These experiences help inform and shape their perspectives and enable them to oversee more effectively the Company's strategy.

## **MANAGEMENT SUCCESSION PLANNING**

Our Board regularly reviews short- and long-term succession plans for our CEO and other senior management positions. This process is designed to anticipate both expected successions, such as those arising from anticipated retirements, as well as unexpected transitions, such as those occurring when executives leave for positions at other companies, or due to death, disability or other unforeseen events.

In 2018, our Board oversaw the retirement of Doug Goare, our former President, International Lead Markets, after 40 years of service to the Company. In addition, as part of the continued evolution of the Company's business model, the Company announced changes to its global business structure in September 2018. These changes are designed to continue the Company's efforts toward efficiently driving growth through the Velocity Growth Plan. Effective January 1, 2019, executives lead our global business segments as follows:

Chris Kempczinski U.S., the Company's largest market;  
Joseph Erlinger International Operated Markets; and  
Ian Borden International Developmental Licensed Markets.

In assessing possible CEO candidates, the independent Directors identify the skills, experience and attributes they believe are required to be an effective leader in light of the Company's global business strategies, opportunities and challenges. Our Board regularly interacts with members of management who are possible candidates to succeed our CEO and other members of senior leadership. Our Board employs a similar approach with respect to evaluating possible candidates for other senior management positions.

**Table of Contents**

Board and Governance Matters

**SHAREHOLDER ENGAGEMENT**

Our Board and management team have developed a robust shareholder engagement program. Throughout the year, we engage with a significant and diverse portion of shareholders on topics of importance to both the Company and shareholders. In addition to discussing our business results and initiatives, strategy and capital structure, we engage on other matters, such as governance practices, including Board composition, tenure and refreshment; executive compensation; and environmental, social, and other sustainability topics such as packaging and recycling and climate change as it relates to the Company’s business.

In 2018, we reached out to a broad group of shareholders, including actively managed funds, index funds, union and public pension funds and socially responsible investment funds, based in and outside of the U.S. This group represented approximately 50% of our outstanding shares. Shareholder feedback, including through direct discussions and prior shareholder votes, as well as engagement with proxy and other investor advisory firms that represent the interests of a wide array of shareholders, is reported to our Governance Committee periodically throughout the year. We also review our practices against guidelines published by shareholders and proxy advisory firms, among others. As appropriate, our Governance Committee may delegate specific issues to relevant Committees for further consideration.

The following graphics illustrate elements of our ongoing shareholder outreach and engagement, as well as certain items that take place more specifically before, during and after our Annual Shareholders’ Meeting:

Business Strategy  
and Performance

Capital Structure

Executive Compensation

**ONGOING SHAREHOLDER ENGAGEMENT – FOCUS AREAS**

Board Governance,  
Composition and Refreshment

Oversight of  
Risk and Strategy

Environmental, Social and Other  
Sustainability Matters

**BEFORE ANNUAL SHAREHOLDERS’ MEETING**

- Discuss shareholder proposals with proponents, on case-by-case basis
- Publish Annual Report and Proxy Statement, highlighting recent Board and Company activities
- Engage shareholders and seek feedback on matters presented for their consideration

**ANNUAL SHAREHOLDERS’ MEETING**

- Engage directly with shareholders and other stakeholders
- Receive voting results for management and shareholder proposals

**OFF-SEASON ENGAGEMENT AND EVALUATION OF PRACTICES**

- Engage with shareholders and other stakeholders regarding our Board, governance and executive compensation practices to better understand investors’ viewpoints and inform boardroom discussions
- Attend and participate in investor and governance-related events to learn about emerging trends or issues and further engage shareholders
- Evaluate potential changes to Board, governance or executive compensation practices in light of shareholder feedback and review of practices

**AFTER ANNUAL SHAREHOLDERS’ MEETING**

- Discuss voting results from Annual Shareholders’ Meeting in light of existing governance and compensation practices, as well as feedback received from shareholders, and determine if any follow-up actions are appropriate
- Review corporate governance trends, recent regulatory developments and the Company’s own corporate governance documents, policies and procedures to determine if any enhancements should be considered
- Determine topics for discussion during off-season shareholder engagement



## **Table of Contents**

Board and Governance Matters

## **RESPONSIBLE LEADERSHIP**

The Company's sustainability vision and initiatives are embodied in our Scale for Good platform, which establishes our commitment to global priorities that are aligned with our strategic objectives and designed to drive meaningful change in partnership with our franchisees and suppliers. Our Scale for Good priorities include beef sustainability, packaging and recycling, commitment to families, climate action and youth opportunity. Beyond these priorities, the Company continues to drive progress on our goals and commitments across key social and environmental topics such as diversity and inclusion, animal health and welfare, responsible sourcing and supporting farmers.

As one of the world's largest restaurant companies, we have the responsibility and opportunity to take action on some of the most pressing challenges in the world today and we embrace this opportunity to drive meaningful progress. We believe that delicious food can also be sustainable so we are using our Scale for Good to make this vision a reality. These initiatives are most impactful when they go beyond the direct reach of the Company to influence action both within our business network and beyond.

2018 Scale for Good Highlights include:

### **BEEF SUSTAINABILITY**

Our 2020 vision, reflected by our goals, is to lead a global movement for beef sustainability designed to accelerate industry progress, share knowledge and tools, promote flagship farmers, pioneer new practices and conserve forests in regions with identified deforestation risks where beef is produced. Our recent announcement of our beef antibiotics policy is one example of how we continue to work with suppliers and producers to demonstrate beef sustainability leadership.

### **PACKAGING AND RECYCLING**

We expanded our global goals for sustainable guest packaging and increasing restaurant recycling.

By 2025, our goal is that 100% of our guest packaging will come from renewable, recycled or certified sources.

By 2025, our goal is to recycle guest packaging in 100% of McDonald's restaurants. We understand that recycling infrastructure, regulations and consumer behaviors vary from city to city and country to country, but we plan to be part of the solution and help influence powerful change.

### **COMMITMENT TO FAMILIES**

We established global Happy Meal goals designed to offer more balanced meals, simplify ingredients, and provide a variety of offerings from recommended food groups. We are also helping to inspire a passion for reading through the distribution of books in our Happy Meal Readers Book Program, and through continuing our long-standing support to the Ronald McDonald House Charities.

### **CLIMATE ACTION**

We became the first global restaurant company to address climate change by setting a 2030 target approved by the Science Based Targets initiative (SBTi). The Company's target involves collaboration with franchisees and suppliers to reduce greenhouse gas emissions from McDonald's restaurants, offices and supply chain.

We participated in the Global Climate Action Summit (GCAS) in San Francisco, one of the largest climate conferences in 2018, which helped to raise awareness and drive cross-sector action on climate change.

Also, the Company's new global headquarters in Chicago achieved LEED Platinum certification, which is the highest level of LEED for its building category and includes close proximity to public transportation, electric vehicle charging stations, green roofing systems, indoor bike storage, a sustainable cooling tower chemical management program and high-efficiency base building filtration.

### **YOUTH OPPORTUNITY**

We launched a new initiative called Youth Opportunity, with a global goal to reduce barriers to employment for young people by 2025, through pre-employment job readiness training, employment opportunities and workplace development programs. As part of this goal, McDonald's also joined the Global Initiative on Decent Jobs for Youth, a United Nations-led, multi-stakeholder initiative, to help accelerate efforts to tackle the youth employment challenge.

## Edgar Filing: MCDONALDS CORP - Form PRE 14A

For more information and progress highlights on the Scale for Good platform, see the Company's website at:  
<http://corporate.mcdonalds.com/content/corpmcd/scale-for-good/using-our-scale-for-good.html>.

34 McDonald's Corporation

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## **Table of Contents**

Board and Governance Matters

### **BOARD'S RESPONSE TO SHAREHOLDER PROPOSALS**

Following the Annual Shareholders' Meeting, our Governance Committee considers the voting outcomes for management and shareholder proposals. In addition, our Governance Committee and other Board Committees, as appropriate, consider proposed courses of action in light of the voting outcomes of shareholder proposals under their oversight.

At the 2018 Annual Shareholders' Meeting, an advisory shareholder proposal requesting the ability for shareholders to act by written consent received support of approximately 42% of shares voted. Our Governance Committee continues to believe that in light of the Company's ongoing commitment to shareholder engagement and sound governance practices, including the fact that the Company's current By-Laws provide shareholders a meaningful right to call special meetings, it is unnecessary to take steps to implement this proposal. Additionally, each time proposals on this topic have been presented to shareholders for a vote, the proposals received less than majority support, indicating that the holders of a majority of shares who voted on the proposals continue to support the Company's current governance practices.

### **CORPORATE GOVERNANCE PRINCIPLES**

Our Governance Committee regularly reviews the Company's Corporate Governance Principles and other governing documents and policies to confirm their appropriateness in light of the Company's current and expected long-term circumstances, as well as evolving best practices. The Company's Corporate Governance Principles are available on our website at: <http://corporate.mcdonalds.com/content/corpmcd/investors-relations/governance-principle-policies-and-guidelines.html>.

### **CODE OF CONDUCT**

Non-employee Directors must abide by the Company's Code of Conduct for the Board of Directors. Each year, our Directors confirm that they have read, and will comply with, the Code of Conduct for the Board of Directors. The Company's employees, including executive officers, are subject to the Company's Standards of Business Conduct. These codes are available on our website at: <http://corporate.mcdonalds.com/content/corpmcd/investors-relations/codes-of-conduct.html>.

### **DIRECTOR COMPENSATION**

Only non-management Directors are paid for their service on our Board. Directors who are Company employees do not receive any compensation for their service as a Director. In 2018, the independent compensation consulting firm Frederic W. Cook & Co., Inc. (FW Cook) performed a comprehensive review of non-management director compensation, including a comparison of director compensation at McDonald's peer companies. Based on this review, our Governance Committee recommended, and our Board approved, maintaining the existing Director compensation program as follows: (i) an annual cash retainer of \$110,000; (ii) common stock equivalent units with a \$175,000 value granted annually under the Directors' Deferred Compensation Plan (Directors' Plan); (iii) an annual cash retainer fee of \$30,000 for our Audit & Finance Committee Chair; and (iv) an annual cash retainer fee of \$25,000 for each Director serving as Chair of the Compensation, Governance, Public Policy & Strategy or Sustainability & Corporate Responsibility Committees.

In addition, our Board considers and may in its discretion grant additional compensation to the non-executive Chairman. Upon the recommendation of our Governance Committee, the disinterested members of our Board awarded Mr. Hernandez an annual cash retainer fee of \$250,000 and a restricted stock unit award with a deemed grant value of \$250,000 in 2018 for his service as Chairman, which was consistent with the amounts awarded to Mr. Hernandez in 2017.

The Company also reimburses non-management Directors for expenses incurred in attending Board, Committee, shareholder and other McDonald's business meetings, as well as expenses for Director continuing education. The Company further matches up to \$10,000 of charitable contributions made annually by Directors to certain types of tax-exempt organizations.

**Table of Contents**

## Board and Governance Matters

The following table summarizes the compensation received by each non-management Director serving in 2018:

Name	Fees earned or paid in cash (\$) <sup>(1)</sup>	Stock awards (\$) <sup>(1)(2)</sup>	All other compensation (\$) <sup>(3)</sup>	Total (\$)
Lloyd Dean	110,000	175,000	1,051	286,051
Robert Eckert	135,000	175,000	11,051	321,051
Margaret Georgiadis	110,000	175,000	1,051	286,051
Enrique Hernandez, Jr.	360,000	406,231	11,051	777,282
Jeanne Jackson	135,000	175,000	11,051	321,051
Richard Lenny	110,000	175,000	11,051	296,051
John Mulligan	140,000	175,000	11,051	326,051
Sheila Penrose	135,000	175,000	11,051	321,051
John Rogers, Jr.	110,000	175,000	1,051	286,051
Miles White	135,000	175,000	1,051	311,051

Non-management Directors may defer all or a portion of their cash retainer(s) in the form of additional common stock equivalent units under the Directors' Plan. Such deferrals, as well as the annual grant of common stock equivalent units described in footnote 2 below, are credited to an account that is periodically adjusted to reflect the gains, losses and dividends associated with a notional investment in our common stock.

<sup>(1)</sup> Common stock equivalent units so credited are based on a per-share price equal to the closing price of our common stock on the date the units are credited. Amounts credited are deferred until retirement from the Board or a date specified by the Director. A Director may elect that all or a portion of the credited amount be paid in cash in a lump sum or equal annual installments over a period of up to 15 years beginning after retirement from the Board. In the event of death, amounts are paid in a lump sum. For Mr. Hernandez, the amount in this column also reflects additional compensation of \$250,000 for his service as Chairman.

Common stock equivalent units are deferred until retirement from the Board. A Director may specify that deferred amounts from each year's award be paid in cash in a lump sum or equal annual installments over a period of up to 15 years beginning after retirement from the Board. In the event of death, amounts are paid in a lump sum. Amounts in this column represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (ASC 718) of common stock equivalent units granted under the Directors' Plan on December 31, 2018, to each non-management Director who served on the Board during 2018. In connection with his service as Chairman, Mr. Hernandez also received a grant of 1,540 restricted stock units in May 2018 with an aggregate grant date fair value of \$231,231 computed in accordance with ASC 718. These restricted stock units vest on the later of one year from the date of grant or Mr. Hernandez's departure from the Board, and shall be payable in either shares of the Company's stock or cash, at the Company's discretion.

Outstanding stock awards held by non-management Directors are set forth below. Stock awards include common stock equivalent units under <sup>(2)</sup> the Directors' Plan and, in the case of Mr. Hernandez, both common stock equivalent units and restricted stock units as described in footnote 2. Amounts are as of December 31, 2018.

Name	Outstanding stock awards
Lloyd Dean	5,721
Robert Eckert	56,838
Margaret Georgiadis	4,489
Enrique Hernandez, Jr.	79,853
Jeanne Jackson	70,652
Richard Lenny	32,895
John Mulligan	3,831
Sheila Penrose	25,308
John Rogers, Jr.	53,163
Miles White	14,969

<sup>(3)</sup> Represents the Company's matching gifts of charitable contributions to tax-exempt organizations for participating Directors that were received in 2018, and a McDonald's gift card and McDonald's merchandise received in connection with McDelivery.

**Table of Contents**

**Executive Compensation**

**VOTING  
RECOMMENDATION**

The Board recommends that you vote **FOR** this proposal.

The Company is asking its shareholders to approve, on an advisory basis and as required pursuant to Section 14A of the Securities Exchange Act of 1934, the compensation awarded to the named executive officers for 2018, as described in the Executive Compensation section, beginning on page 38, which includes the Compensation Discussion and Analysis (CD&A) and the compensation tables and related narrative discussion.

As fully described in the CD&A, the Company's executive compensation program is designed to support our business initiatives, align the interest of our executives with those of shareholders, and strongly link pay and performance. The Company believes its compensation program appropriately incentivizes executives through a mix of short- and long-term plans that reflect measurable, rigorous performance goals closely aligned with Company strategy.

In 2018, as discussed on page 38, the Company's Velocity Growth Plan generated strong global growth by elevating the customer experience, which ultimately increased shareholder value. This performance was on top of strong prior-year results, producing a near-target payout under the Company's annual bonus plan and above-target payouts under its long-term (three-year) plan. The Company believes these pay outcomes support our pay for performance compensation philosophy as well as the alignment between executive pay and shareholder value.

The Board believes that the Company's executive compensation program appropriately incentivizes strong operational and financial performance in both the current year and over the long-term, thereby aligning the interests of executives with the interests of shareholders.

Consistent with the Company's past practice, we currently hold our Say on Pay vote annually and the next Say on Pay vote is expected to occur at our 2020 annual meeting of shareholders.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee (the Committee) of the Board of Directors has reviewed and discussed the Company's Compensation Discussion and Analysis with McDonald's management. Based on this review and discussion, the Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Respectfully submitted,

***The Compensation Committee***

Jeanne Jackson, Chair  
Lloyd Dean  
Richard Lenny  
John Rogers, Jr.  
Paul Walsh



**Table of Contents**

## Executive Compensation

**COMPENSATION DISCUSSION AND ANALYSIS**

The Compensation Discussion and Analysis describes the Company's executive compensation program and provides insights into the Committee's process and rationale for reviewing and implementing the compensation program. To enable easier navigation of the information provided below, we have organized the disclosure into the following sections:

Our 2018 Year in Review	38
Executive Summary	39
Compensation Setting Process	40
Establishing Performance-Based Compensation	41
Primary Compensation Elements	43
Other Compensation Elements	47

**OUR 2018 YEAR IN REVIEW**

In 2018, the Company continued to execute the Velocity Growth Plan, its comprehensive, customer-centric growth strategy that establishes sustainable growth platforms grounded in critical insights around key customer segments. The Velocity Growth Plan is designed to enable the Company to execute initiatives with greater speed, efficiency and impact and continues to resonate with our customers.

On a global basis, we drove strong growth in 2018 through a focus on elevating the customer experience by enhancing digital capabilities, expanding availability of delivery and deploying Experience of the Future (EOTF) in restaurants, led by our international markets. The U.S. business grew sales and operating income (excluding strategic charges) as it continued to aggressively implement significant initiatives designed to transform our restaurants and organization, including its national value platform, EOTF elements and growing its delivery business. While our U.S. business faced short-term pressures amidst executing these multiple initiatives, the Company remains committed to running great restaurants and confident in the Velocity Growth Plan, which will make a difference for our customers and drive long-term sustainable growth.

As the Company completed its transition from turnaround to growth, the Committee undertook a holistic review of our incentive compensation programs (executive and broad-based) in order to ensure that our programs continue to reflect our compensation guiding principles and align with the Company's culture and desired behaviors. The Committee's independent advisor, Frederic W. Cook & Co., Inc. (FW Cook), participated in this review, including by providing market insights. This review, as well as our historically strong shareholder support, confirmed that our compensation program remains appropriately aligned with our guiding principles and supports the key elements of the Velocity Growth Plan. As a result of this review, we plan to make minor adjustments in 2019 to enhance our compensation programs, as more fully described below on page 46.

**SUSTAINED FINANCIAL PERFORMANCE\***

\*The 3-Year Total Shareholder Return percentage is as reported on Bloomberg.com as of December 31, 2018.

## **Table of Contents**

[Executive Compensation](#)

## **EXECUTIVE SUMMARY**

Our 2018 direct compensation package included base salary, a short-term cash incentive (STIP), performance-based restricted stock units (RSUs) and stock options.

## **COMPENSATION GUIDING PRINCIPLES**

The Company maintains the following guiding principles: (i) pay for performance, (ii) drive business results with a focus on creating long-term shareholder value, and (iii) pay competitively. These principles guide the design and implementation of our compensation programs, in support of our Velocity Growth Plan, as follows:

### **FIRST PRINCIPLE PAY FOR PERFORMANCE**

We remain committed to a pay for performance culture that stresses closely linking compensation with performance, as evidenced by the pie chart below.

\* The above chart uses ASC 718 values for equity awards granted in 2018.

For the NEOs other than the CEO, approximately 72% of the target total direct compensation opportunity for 2018 was allocated to variable compensation that is dependent upon Company performance.

Payouts to our executives vary based on performance against challenging targets. Our incentive plans are predominantly based on diverse strategic financial metrics that are aligned with our key measures of long-term sustainable growth.

## **KEY FINANCIAL METRICS\***

<a href="#">Operating income growth</a>	<a href="#">Earnings per share (EPS) growth</a>
<a href="#">Return on Incremental Invested Capital (ROIIC)</a>	<a href="#">Total Shareholder Return (TSR)</a>

\* Operating income growth was used in our STIP while the other metrics were used in the performance-based RSUs granted in 2018.

### **SECOND PRINCIPLE DRIVE BUSINESS RESULTS AND LONG-TERM VALUE CREATION**

While we believe it is important to reward success against short-term goals, our overall focus is on driving long-term shareholder value. The Committee regularly considers how the Company's compensation program drives our business strategy. In 2018, the Committee conducted a strategic review of all executive and global incentive programs to ensure the programs, and their respective elements, support the Company's strategy. This review confirmed that our compensation program is straightforward and holistic and incorporates multiple aspects of business performance. Further, to incentivize long-term value creation, we deliver about 75% of our CEO's direct compensation opportunity in the form of equity awards that vest over multiple years.

2019 Proxy Statement **39**

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**Table of Contents**

## Executive Compensation

**THIRD PRINCIPLE PAY COMPETITIVELY**

Attracting, engaging and motivating talented executives who will drive our Velocity Growth Plan is critical to our success and our compensation opportunities are designed to support this objective. As discussed in more detail below, in 2018, the Committee refreshed the peer group of companies with which the Company competes for talent and whose compensation practices the Committee monitors to better reflect our current competitors. Finally, the Committee considers internal pay equity, as described below, when making executive compensation decisions.

**SHAREHOLDER ENGAGEMENT AND STRONG SUPPORT OF SAY ON PAY**

Throughout the year, management engages in dialogue with a significant portion of our shareholder base on a variety of matters important to both the Company and its investors, including our executive compensation program (for more details see page 33). The Committee considers feedback received through direct discussions with investors as well as previous “Say on Pay” results and the voting results of any shareholder proposals related to our executive compensation program. Our compensation program continues to receive very strong shareholder support, receiving at least 93% support in each of the last five years (including 93% in 2018).

**NAMED EXECUTIVE OFFICERS (NEOs)**

NEOs refer to the following executive officers whose compensation is described in this Proxy Statement, pursuant to requirements of the Securities and Exchange Commission.

Stephen Easterbrook	President and Chief Executive Officer (CEO)
Kevin Ozan	Executive Vice President and Chief Financial Officer (CFO)
Douglas Goare*	Former President, International Lead Markets and Global Chief Restaurant Officer
Christopher Kempczinski	President, McDonald's USA
Joseph Erlinger**	President, High Growth Markets

\* Retired, effective December 31, 2018.

Effective January 1, 2019, Mr. Erlinger's title changed to President, International Operated Markets in connection with the Company's change in its global business segments.

**INCENTIVE AWARDS – 2018 PAYOUTS**

The Committee established aggressive 2018 STIP targets, based in part on strong prior-year results. Despite strong performance in our international markets, our Corporate STIP payout was at target due to below target results in the U.S. However, the Company's robust multi-year performance (2016 - 2018) resulted in payouts significantly above target for the performance-based RSUs that vested in early 2019.

Incentive Award Element	Payout (% of target)
2018 STIP (Corporate)*	101.1
2016 - 2018 Performance-based RSUs**	173.3

\* Operating income was the primary metric

\*\* Net income and ROIIC were the primary metrics

**COMPENSATION SETTING PROCESS**

The Committee meets regularly during the year (six times in 2018). Meeting agendas are determined by the Committee Chair with the assistance of our Chief People Officer. Members of management, including the Chief People Officer, also attend Committee meetings, as well as representatives from FW Cook, and if needed, external professional advisors.

**Table of Contents**

## Executive Compensation

At least annually, the Committee reviews our overall executive compensation program to ensure that it remains aligned with current business objectives and evolving best practices. The graphic on page 27 highlights the Committee's annual review process. In 2018, to supplement its usual process, the Committee completed a holistic review of all incentive compensation plans – both executive and broad-based programs globally – to ensure that the programs remain aligned with our guiding principles and the Company's culture and desired behaviors.

FW Cook reviews and provides input on overall compensation design and management's recommendations with respect to each of the NEOs at least annually. The Committee considers peer data and other similar information obtained from various sources, including Willis Towers Watson & Co., Aon and Meridian Compensation Partners, LLC. While management provides the Committee with its perspectives on compensation matters, no member of management is involved in decisions regarding his or her own compensation.

The Committee Chair regularly reports to the Board following Committee meetings. In addition, the Chair, along with the Chairman of the Board, lead the independent Directors in the evaluation of the CEO's performance. Based upon the results of this performance evaluation, and informed by input from FW Cook and the Chief People Officer, the Committee reviews and approves CEO compensation.

**ESTABLISHING PERFORMANCE-BASED COMPENSATION****COMPENSATION METRICS**

Our 2018 compensation program was comprised of both short- and long-term incentive awards, based on objective performance metrics (both absolute and relative), as well as our stock price performance, as reflected in the chart below.

<b>2018 primary performance measures*</b>	<b>STIP</b>	<b>Stock options</b>	<b>Performance-based RSUs</b>
Operating income growth			
EPS growth			
ROIIC			
Share price			

\* For 2019 STIP, comparable guest count growth will be added as an additional primary metric, as more fully described below on page 46. For 2018 Performance-based RSU awards, the Company transitioned from using a net income metric to EPS growth. The Committee believes that EPS is a more suitable metric in light of the Company's current growth strategy. The Committee considers the effects of share repurchase on EPS results for purposes of incentive compensation payouts through its thoughtful target setting process as well as excluding the impact of repurchases exceeding the Company's annual plan.

**COMPENSATION TARGETS**

The Committee takes a holistic approach to establishing performance targets under the Company's incentive compensation program. The Committee recognizes the importance of achieving an appropriate balance between rewarding executives for strong performance over both the short- and long-term, and establishing realistic but rigorous targets. The Committee focuses on the need to motivate and retain executives, without encouraging excessive risk taking. In setting these objective performance targets, the Committee considers the Company's financial objectives, including the Company's long-term, average annual financial targets, and the economic, industry and competitive environments.

**Table of Contents**

Executive Compensation

**EXCLUSIONS FROM REPORTED FINANCIAL RESULTS**

In order to focus our executives on the fundamentals of the Company's underlying business performance, certain items that are not indicative of ongoing performance may be excluded from the financial results used to determine incentive-based compensation, both in establishing the applicable targets and for purposes of evaluating performance. The Committee considers potential exclusions pursuant to pre-established guidelines, including materiality, to provide clarity and consistency on how it views the business when evaluating performance. Charges/credits that may be excluded include the following categories: "strategic" (e.g., restructurings, acquisitions and divestitures, such as developmental licensee transactions); "regulatory" (e.g., changes in tax or accounting rules); and "external" (e.g., extraordinary, non-recurring events, such as natural disasters).

For 2018, the Committee reviewed the impact of strategic actions taken in connection with the Company's Velocity Growth Plan (for example, asset impairments and strategic restructuring charges) on performance-based compensation. To determine 2018 performance targets, our targeted operating income growth rate excluded gains from our 2017 sale of the China and Hong Kong markets, to reflect the fact that these were one-time gains that would not be repeated in 2018.

Further, consistent with the guidelines noted above, the Committee determined that it was appropriate to exclude certain amounts for purposes of calculating payouts under 2018 STIP and 2016 performance-based RSU awards. For 2018, the Committee approved exclusions, including charges related to asset impairment as well as the U.S. strategic restructuring initiative. As provided in more detail on page 44, the exclusions to operating income increased payouts for the 2018 STIP. In addition to items excluded from operating income, for performance-based RSUs, the Committee excluded a net tax benefit resulting from the 2017 Tax Cuts and Jobs Act.

Payouts under our compensation plans also exclude the effects of foreign currency translation (either positive or negative) since we believe that changes in foreign exchange rates can cause our reported results to appear more or less favorable than business fundamentals indicate.

**PEER COMPANIES**

Consistent with our goal of providing competitive compensation to incentivize and retain executive talent, we review total direct compensation compared to levels at peer companies that we believe are reflective of our business. When we set executive compensation targets, we use the market median for each compensation element as a reference point; however, we do not specifically target any element of compensation at the market median.

Annually, based on input from FW Cook, the Committee selects a peer group comprised of companies with which we compete for talent, including our direct competitors, major retailers, producers of consumer branded goods and companies with a significant global presence. Although we strive for year over year continuity for our peer group, in 2018, the Committee, with the assistance of FW Cook, updated the peer group that will apply for establishing 2019 compensation based on objective criteria to ensure a representative peer group. In identifying the Company's peer group, the Committee considered the Company's industry classification (under the S&P's Global Industry Classification Standard), the revenues and market capitalization of potential peer companies as well as peers of peers, among other criteria. As of July 2018, our peer group (listed below) reflects the addition of (1) Marriott Intl., (2) Kimberly-Clark, and (3) Carnival, and the removal of (1) Dunkin' Brands, (2) Home Depot, (3) Restaurant Brands Intl., (4) Walt Disney, and (5) Wendy's.

3M Company	Kellogg Company	The Proctor and Gamble Co.
Best Buy Co., Inc.	Kimberly Clark	Starbucks Corporation
Carnival Corporation	The Kraft Heinz Company	Target Corporation
The Coca-Cola Company	Lowe's Companies, Inc.	Walgreens-Boots Alliance, Inc.
Colgate-Palmolive	Marriott International	Walmart Inc.
FedEx Corporation	Mondeléz International, Inc.	Yum! Brands Inc.
General Mills, Inc.	NIKE, Inc.	
Johnson & Johnson	PepsiCo	

**Table of Contents**

## Executive Compensation

The following table compares McDonald's size and performance to that of our peer group.

**McDONALD'S VS. PEER GROUP**

	<b>McDonald's</b>	<b>Percentile</b>	<b>Rank</b>
Revenues (most recent fiscal year)*	\$21,025		<b>16 of 23</b>
Market Capitalization (12/31/18)*	\$136,891		<b>6 of 23</b>
Systemwide sales (most recent fiscal year)*	\$96,147		<b>3 of 23</b>
1-year TSR (12/31/18)	5.78%		<b>5 of 23</b>
Cumulative 3-year TSR (12/31/18)	62.93%		<b>5 of 23</b>
Cumulative 5-year TSR (12/31/18)	112.26%		<b>2 of 23</b>

\* Dollars in millions. Financial data as reported on Bloomberg.com and as of December 31, 2018 unless otherwise indicated.

**INTERNAL EXECUTIVE PAY EQUITY**

Compensation opportunities reflect our executive officers' positions, responsibilities and tenure in a given position and are generally similar for executives who have comparable levels of responsibility (although actual compensation delivered may differ depending on relative performance). Although our executive pay decisions are based on individual performance and other criteria, we consider the potential impact of internal pay equity on Company culture, morale, incentive, management alignment and succession planning. In addition, as circumstances warrant, we grant awards to executives outside of our core compensation structure in connection with their hiring, promotion or retention. These awards permit us to meet specific business objectives with minimum impact to long-term pay equity.

**PRIMARY ELEMENTS OF TOTAL DIRECT COMPENSATION****ANNUAL COMPENSATION****BASE SALARY**

In setting annual salary levels, we take into account competitive considerations, change in responsibilities, individual performance, tenure in position, internal pay equity and the effect on our general and administrative expenses. In 2018, the Committee approved increases to the base salary of each of our NEOs to better align their compensation relative to comparable roles within our peer group, which are reflected in the Summary Compensation Table on page 50, including a mid-cycle base salary increase of \$70,000 effective August 2018 for Mr. Erlinger, whose compensation is being reported in the Summary Compensation Table for the first time.

**SHORT-TERM CASH INCENTIVE (STIP)**

Our STIP rewards growth in annual operating income, which measures the success of the most important elements of our business strategy. Operating income growth requires the Company to balance increases in revenue with financial discipline to produce strong margins and a high level of cash flow. If there is no growth in operating income, there is no STIP payout. STIP payouts are capped at 200% of target.

**Table of Contents**

## Executive Compensation

If sufficient operating income growth is achieved, STIP payouts take into account pre-established “modifiers” reflecting other measures of Corporate and/or segment performance that are important drivers of the Velocity Growth Plan. To drive further accountability for and focus on the Company’s strategic objectives, the following 2018 STIP modifiers were closely aligned with our growth accelerators:

<b>Modifier</b>	<b>Description</b>
Comparable Guest Count Growth	Incentivizes growth in guest counts, which is an indicator of the health of our business Potential impact of up to plus or minus 25 percentage points
Delivery Sales Initiative	Incentivizes the transition of our delivery initiative from restaurant deployment to sales growth Potential impact of up to plus or minus 12.5 percentage points
Digital Adoption	Incentivizes accelerated adoption of digital customer engagement by driving additional digital guest counts Potential impact of 0 to plus 12.5 percentage points

The following graphic illustrates the Corporate STIP payout calculation for 2018:

The chart below provides operating income growth necessary to achieve threshold, target and maximum payouts under 2018 STIP for Corporate (prior to adjustment based on the modifiers discussed above):

<b>2018</b>	<b>Threshold</b>	<b>Target</b>	<b>Maximum</b>
Consolidated annual operating income growth*	0%	6.2%	12.5%

Payout percentage interpolated for results that fall between each of the performance levels specifically identified. Target was adjusted for \*exclusions as discussed below.

The following table shows the operating income targets and results under 2018 STIP:

<b>(Dollars in millions)</b>	<b>Target 2018 operating income (\$)</b>	<b>Target 2018 operating income growth over 2017 (%)</b>	<b>2018 adjusted operating income* (\$)</b>	<b>2018 adjusted operating income growth over 2017 (%)</b>
Corporate	8,957	6.2	8,984	6.5
U.S.	4,189	4.1	4,101	1.9
International Lead Markets (ILM)	3,370	7.7	3,420	9.3
High Growth Markets (HGM)	1,072	5.2	1,114	9.2
Foundational Markets	1,206	9.4	1,254	13.7

Adjusted for the exclusions discussed on page 42, which increased operating income for purposes of calculating incentive awards (including 2018 STIP and 2016 - 2018 performance-based RSUs) as follows: Corporate \$218 million; U.S. \$85 million; High Growth Markets \$124 million; and \* Foundational Markets \$19 million.

**Table of Contents**

## Executive Compensation

The 2018 STIP target awards and payouts for the NEOs are shown in the table below. Please see the notes to the Grants of Plan-Based Awards table on page 53 for more information regarding the team factors applicable to each NEO as well as the impact of the modifiers on these payouts.

Named executive officer	Applicable team factor	Target STIP payment as percentage of salary (%)	2018 target STIP payout (\$)	2018 STIP payout (\$)	STIP payment as percentage of target (%)
Stephen Easterbrook	Corporate	180	2,430,000	2,456,730	101.1
Kevin Ozan	Corporate	100	800,000	808,800	101.1
Douglas Goare	ILM (75%) Corporate (25%)	90	658,800	866,652	131.6
Christopher Kempczinski	U.S. (75%) Corporate (25%)	90	661,500	336,869	50.9
Joseph Erlinger	HGM (75%) Corporate (25%)	80	512,000	794,880	155.3

**LONG-TERM INCENTIVE COMPENSATION****Components of 2018 Long-Term Incentive Compensation**

Each component generally weighted equally

**PERFORMANCE-BASED RESTRICTED STOCK UNITS**

RSUs provide the right to receive a share of McDonald's stock, subject to certain vesting requirements. RSUs granted to the NEOs typically are subject to both performance- and service-based vesting requirements, and include dividend equivalent rights (beginning in 2018).

Performance-based RSUs granted in 2018 as part of the annual cycle will vest on the third anniversary of the grant date, subject to the Company's achievement of two key financial metrics, EPS growth and ROIIC. Performance-based RSUs are also subject to a modifier based on relative TSR over the 2018 - 2020 performance period. For 2018, the Committee replaced the net income metric with EPS as discussed in more detail above on page 41. This change also provided further diversification of metrics between our short-term and long-term plans. This balanced set of metrics encourages an increase in profitability and an efficient and effective use of capital, which will enhance shareholder value. These awards also align the interests of our NEOs with those of our shareholders by delivering payouts in the form of Company stock.

Payout of the Performance-based RSUs is limited to 200% of the target award (calculated as a cap of 175% of target based on the two performance metrics, subject to a modifier of up to an additional 25% based on the Company's cumulative TSR vs. the S&P 500 Index over the performance period). The following graphic details the RSUs vesting calculation.

2018-2020	Threshold	Target	Maximum
Compound annual EPS growth	5 %	12 %	16 %
3-year ROIIC	15 %	25 %	25 %

**Cumulative TSR v. S&P 500 Index Modifier**

0 - 19%-ile	-25 %
20 - 39%-ile	-12.5 %
40 - 59%-ile	0 %
60 - 79%-ile	+12.5 %
80 - 100%-ile	+25 %

## **Table of Contents**

### **Executive Compensation**

In 2016, the Committee granted Performance-based RSUs to our executives, which were subject to compound annual net income growth, three-year ROIIC and relative TSR over the 2016 to 2018 performance period. As both the Company's net income growth and ROIIC exceeded targets (adjusted for the exclusions discussed on page 42) and the Company's TSR was at the 77th percentile compared to the S&P 500 Index, the Performance-based RSUs vested at 173.3% of the target amount in early 2019.

In addition to the performance-based RSUs awarded as part of the annual grant cycle, from time to time, an executive may receive an RSU award as part of a new hire package or as a retention or promotional incentive. Such RSU awards may be either performance- or time-based. In 2018, Chris Kempczinski, President – McD USA, received a grant of retention RSUs, as more fully described on page 51.

### **STOCK OPTIONS**

Options granted to our NEOs have an exercise price equal to the closing price of our common stock on the grant date, a term of ten years and vest ratably over four years, subject to continued service. Options provide value only if our share price increases, thereby closely aligning executive pay with shareholder interests. The Company's policies and practices regarding option grants, including the timing of grants and the determination of the exercise price, are described on page 49.

### **2019 ADJUSTMENTS TO COMPENSATION PROGRAM**

As discussed above, the Committee undertook an enhanced holistic review of our incentive programs in 2018, confirming alignment with our compensation guiding principles and resulted in the following adjustments for 2019 to enhance our programs:

#### **STIP – COMPARABLE GUEST COUNT GROWTH ADDED AS A PRIMARY METRIC**

To align more closely with the Velocity Growth Plan's focus on attracting incremental customers, comparable guest count growth will be elevated to a primary metric (from a modifier) in the STIP. Under the new formula, operating income growth will be weighted at 75% and guest count growth will be weighted at 25%. This shift reflects our view that guest count growth is an important health metric for the Company. Despite the increased importance of driving guest count growth, we continue to believe that driving operating income growth remains the primary indicator of Company performance, therefore the Committee applied the heaviest weighting (75%) to this metric.

#### **PERFORMANCE-BASED RSUs – NEGATIVE ABSOLUTE TSR CAP**

In addition to EPS growth and ROIIC performance thresholds and the relative TSR modifier, the RSUs granted in 2019 will be subject to a cap of 100% of target if the Company's absolute TSR for the three-year performance period is negative. This change supports our commitment to ensuring that the interests of executives and shareholders are properly aligned.

### **PEER GROUP**

Please refer to the description above on page 42 regarding changes to our peer group for 2019.

**Table of Contents**

Executive Compensation

**OTHER COMPENSATION ELEMENTS**

**RETIREMENT SAVINGS ARRANGEMENTS**

We believe a competitive retirement program contributes to the recruitment and retention of top executive talent. We do not have any supplemental executive retirement plans. NEOs participate in the same tax-qualified defined contribution retirement savings plan and non-tax qualified, unfunded deferred compensation retirement plan applicable to U.S.-based employees.

**PERQUISITES AND OTHER BENEFITS**

The Company provides certain limited perquisites to NEOs, including a car allowance, financial planning, physical examination (which are also available for the NEOs' spouses), life insurance, matching charitable donations and limited personal items. The safety and security of our employees is a priority for the Company, accordingly, we provide risk-based executive security for select NEOs. As an additional security measure, the CEO uses the Company's aircraft for personal use, subject to reimbursement of a portion of the cost.

The Company does not provide any tax gross-ups on perquisites. NEOs also participate in all of the broad-based benefit and welfare plans available to Company staff in general. In particular, the Company maintains a Global Assignee Policy covering all employees and eligible family members who are on international assignments. The policy provides certain relocation and expatriate benefits (including tax preparation and equalization), which are intended to equalize cost of living differences between the home and assignment country as well as to facilitate the transition associated with an international assignment. During 2018, Messrs. Goare and Erlinger were eligible for benefits under this policy. The benefits each received are detailed in footnote 4 to the Summary Compensation Table on page 51.

**SEVERANCE AND CHANGE IN CONTROL ARRANGEMENTS**

The Company has a U.S. severance plan that covers all officers, including our NEOs. Benefits under the severance plan are described under "Potential Payments Upon Termination of Employment" beginning on page 55.

The Company does not have any change in control agreements. Further, we do not provide for any single-trigger severance benefits or Section 280G tax gross-up payments.

**RETIREMENT OF DOUGLAS GOARE**

On December 31, 2018, Mr. Goare, President, International Lead Markets & Global Chief Restaurant Officer, retired after 40 years of service. The Company entered into an agreement with Mr. Goare that resulted in his retaining his previously granted equity awards (which remain subject to applicable performance conditions). In addition, the Committee agreed to provide Mr. Goare with a lump-sum payment of \$183,000 (equal to three months of base salary). The Committee determined that the above-described compensation actions supported the Company's strategic objectives by facilitating the Company's January 1, 2019, transition to new global business segments while honoring Mr. Goare's initial desire to retire in March 2019. In exchange for his retention of these awards and the cash payment, the non-compete period following Mr. Goare's retirement from the Company was extended to twenty-four months from eighteen months.



**Table of Contents**

[Executive Compensation](#)

**COMPENSATION POLICIES AND PRACTICES**

**POLICY REGARDING MANAGEMENT’S STOCK OWNERSHIP**

The Company maintains stock ownership requirements because it believes executives will more effectively pursue the long-term interests of shareholders if they are shareholders themselves. The Committee reviews compliance with these stock ownership requirements annually. Based on the most recent annual evaluation, all NEOs are in compliance.

The following table illustrates our stock ownership requirements.

<b>Stock ownership requirements</b>	<b>Multiple of salary</b>
-------------------------------------	---------------------------

**President & CEO**

**Other NEOs**

Executives have five years to achieve their required ownership level. This five-year period restarts when an executive is promoted to a position with a higher ownership requirement. In 2014, in response to shareholder feedback, the Company enhanced its policy to require an executive who is not on track to meet his/her ownership requirements following the third year of the five-year period to retain the lesser of 50% of the net after-tax shares received upon the vesting of an RSU award or such percentage of net after-tax shares necessary to satisfy the applicable requirement. If an executive has not achieved the requisite stock ownership within five years, he or she must retain 100% of the net after-tax shares received upon the vesting of an RSU award and/or a stock option exercise until the required ownership level is attained.

**POLICY REGARDING PROHIBITION ON PLEDGING AND HEDGING**

The Company has adopted restrictions that prohibit executives from engaging in pledging and/or derivative transactions to hedge the risk associated with their stock ownership. Further, executives may not enter into an agreement that has the effect of transferring or exchanging economic interest in any award.

**INDEPENDENT COMPENSATION CONSULTANT**

The Committee has the sole authority to retain and dismiss an independent compensation consultant, and has engaged FW Cook as its consultant. FW Cook also provides assistance to the Board in compiling and summarizing the results of Board and Director evaluations and advising on Director compensation. Consistent with its Charter, the Committee regularly considers FW Cook’s independence and, in 2018, the Committee concluded that FW Cook is independent and that its work for the Committee did not raise any conflicts of interest. Management may not engage the Committee’s consultant for any purpose.

**CLAWBACKS AND FORFEITURE PROVISIONS**

The Company’s equity grant agreements contain a repayment/forfeiture provision that triggers repayment of any benefits received in connection with such grants as may be required to comply with (i) New York Stock Exchange listing standards adopted in accordance with Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (regarding recovery of erroneously awarded compensation) and any implementing rules and regulations of the Securities and Exchange Commission adopted thereunder, and (ii) similar rules under the laws of any other jurisdiction, as well as pursuant to any policies adopted by the Company to implement such requirements, in all cases to the extent determined by the Company in its discretion to be applicable to the award recipient.

## **Table of Contents**

### [Executive Compensation](#)

In addition, the Committee revised the Company's equity grant agreements beginning in 2018 to provide that, consistent with provisions already applicable to awards made under the STIP, the Company may terminate outstanding awards and/or recapture previously paid award(s) if a participant engages in willful fraud that: (i) causes harm to the Company or (ii) is intended to manipulate performance goals either during employment, or after employment has terminated. Furthermore, executives are required to have executed restrictive covenants as a condition to receiving equity awards. An executive who violates the restrictive covenants to which he or she is subject will forfeit outstanding equity awards, whether or not vested, and may be required to repay awards that have previously been paid.

## **RISK AND COMPENSATION PROGRAMS**

Our compensation program is designed to mitigate the potential of rewarding excessive risk-taking that may produce short-term results that appear in isolation to be favorable, but which, in fact, may undermine the successful execution of our long-term business strategy and erode shareholder value. In particular, our executive compensation program seeks to provide an appropriate balance of short-term and long-term incentives. Our incentive program incorporates performance metrics related to various measures of operational performance. By diversifying the time horizons and the applicable performance metrics of our incentives, we seek to mitigate the risk of significant compensation payments based on accomplishments in one area that may have a negative consequence for our business as a whole.

In 2018, management and FW Cook reviewed all of the Company's global incentive compensation programs, including broad-based programs, taking into consideration the factors described above. Based on this review, the Company does not believe that the risks arising from its compensation program are reasonably likely to have a material adverse effect on the Company.

## **POLICY WITH RESPECT TO TAX DEDUCTIBILITY OF COMPENSATION**

The 2017 Tax Act eliminated the performance-based exception under section 162(m) of the Internal Revenue Code for deducting compensation to current or former covered employees in excess of \$1 million. As a result, the Company is generally no longer able to take a deduction for any compensation paid to its current or former NEOs in excess of \$1 million.

## **POLICIES AND PRACTICES REGARDING EQUITY AWARDS**

The Company does not grant equity awards when in possession of material non-public information. The Company generally makes broad-based equity grants at approximately the same time each year following our release of full-year financial results; however, the Company may choose to make equity awards outside of the annual broad-based grant (e.g., as part of a new hire package or as a retention or promotional incentive). Stock options may be granted only with an exercise price at or above the closing market price of the Company's stock on the date of grant.

**Table of Contents**

## Executive Compensation

**COMPENSATION TABLES****SUMMARY COMPENSATION TABLE**

The table below summarizes the total compensation earned by our NEOs in 2018, and, to the extent required, 2017 and 2016.

Name and principal position (a)	Year (b)	Salary (\$)(c)(1)	Bonus (\$)(d)	Stock awards (\$)(e)(2)	Option Awards (\$)(f)(3)	Non-equity incentive plan compensation (\$)(g)	All other compensation (\$)(i)(4)	Total (\$)(j)
	2018	1,341,667	0	5,750,104	5,750,009	Annual: 2,456,730	577,606	15,876,116
	2017	1,300,000	0	5,301,249	5,318,329	Annual: 3,473,925 Long-term: 5,623,644 Total: 9,097,569	743,905	21,761,052
<b>Stephen Easterbrook</b> President and Chief Executive Officer	2016	1,266,667	0	5,108,811	3,897,785	Annual: 4,447,625 Long-term: 111,193 Total: 4,558,818	523,665	15,355,746
	2018	791,667	0	1,450,043	1,450,015	Annual: 808,800	149,727	4,650,252
<b>Kevin Ozan</b> Corporate Executive Vice President and Chief Financial Officer	2017	741,667	0	1,204,846	1,208,724	Annual: 1,145,250 Long-term: 1,013,725 Total: 2,158,975	160,166	5,474,378
	2016	683,333	0	1,277,262	974,446	Annual: 1,368,500 Long-term: 23,400 Total: 1,391,900	110,247	4,437,188
	2018	728,333	0	1,000,073	1,000,005	Annual: 866,652	763,690	4,358,753
<b>Douglas Goare</b> Former President, International Lead Markets and Chief Restaurant Officer	2017	705,833	0	963,976	966,982	Annual: 954,666 Long-term: 1,031,355 Total: 1,986,021	975,712	5,598,524
	2016	648,750	0	1,021,786	779,565	Annual: 1,057,760 Long-term: 91,260 Total: 1,149,020	1,249,941	4,849,062
	2018	725,000	0	2,500,183	1,000,005	Annual: 336,869	116,283	4,678,340
	2017	675,000	0	843,479	846,103	Annual: 813,291 Long-term: 548,734 Total: 1,362,025	120,846	3,847,453
<b>Christopher Kempczinski</b> President, McDonald's USA <sup>(5)</sup>	2016	612,500	200,000 <sup>(5)</sup>	0 <sup>(5)</sup>	0 <sup>(5)</sup>	Annual: 961,860 Long-term: 0 Total: 961,860	14,784	1,789,144
<b>Joseph Erlinger</b> President, High Growth Markets	2018	587,500	0	750,055	750,009	Annual: 794,880	1,075,292	3,957,736

Reflects annual increases in base salary that took effect during 2018. Annual base salaries as of December 31, 2018, were as follows: Messrs.

<sup>(1)</sup> Easterbrook: \$1,350,000; Ozan: \$800,000; Goare: \$732,000; Kempczinski: \$735,000; and Erlinger: \$640,000.

Represents the aggregate grant date fair value of restricted stock units (RSUs) granted under the McDonald's Corporation 2012 Omnibus Stock Ownership Plan (2012 Plan) based on the probable outcome of the applicable performance conditions and excluding the effect of estimated forfeitures during the applicable vesting periods of RSUs, as computed in accordance with Accounting Standards Codification (ASC) 718. Values

<sup>(2)</sup> are based on the closing price of the Company's common stock on the grant date. Performance-based RSUs vest on the third anniversary of the grant date and are subject to performance-based vesting conditions linked to the achievement of EPS, ROIIC, and a relative TSR modifier over the performance period (as described on page 45). The fair value of performance-based RSUs that include the TSR modifier is determined using a Monte Carlo valuation model.

This also includes, for Mr. Kempczinski, grants of special RSUs, which are service based, as further discussed below in footnote 5. Additional information is disclosed in the Grants of Plan-Based Awards table on page 52 and the Outstanding Equity Awards at 2018 Year-End table on pages 53-54. A more detailed discussion of the assumptions used in the valuation of RSU awards may be found in the Notes to Consolidated Financial Statements under "Share-based Compensation" on pages 39 and 51 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Represents the aggregate grant date fair value of options granted under the 2012 Plan, excluding the effect of estimated forfeitures during the applicable vesting periods of options, as computed in accordance with ASC 718. Options have an exercise price equal to the closing price of the

<sup>(3)</sup> Company's common stock on the grant date, vest in equal installments over a four-year period and are subject to the 2012 Plan, as applicable. Values for options granted in 2018 are determined using a closed-form pricing model based on the following assumptions,



**Table of Contents****Executive Compensation**

as described in the footnotes to the consolidated financial statements: expected volatility based on historical experience of 18.7%; an expected annual dividend yield of 2.6%; a risk-free return of 2.7%; and expected option life based on historical experience of 5.8 years. Additional information about options is disclosed in the Grants of Plan-Based Awards table on page 52 and the Outstanding Equity Awards at 2018 Year-End table on pages 53-54. A more detailed discussion of the assumptions used in the valuation of option awards may be found in the Notes to Consolidated Financial Statements under "Share-based Compensation" on pages 39 and 51 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

(4) "All other compensation" for 2018 includes the Company's contributions to the 401k Plan and Deferred Compensation Plan as follows:

<b>Stephen Easterbrook</b>	\$	288,936
<b>Kevin Ozan</b>	\$	116,215
<b>Douglas Goare</b>	\$	100,980
<b>Christopher Kempczinski</b>	\$	92,297
<b>Joseph Erlinger</b>	\$	74,076

The amounts in this column also include the following categories of perquisites: car allowance; financial planning; annual physical examinations for the executives and their spouses; executive security (for select executives); matching charitable donations; Company-paid life insurance; and personal use of the Company's aircraft by the CEO, with a net cost to the Company in 2018 for Mr. Easterbrook of \$254,103. For security and business purposes the CEO is required to use the Company's aircraft for all air travel. The Company requires that the CEO reimburse the Company on all personal travel as described below. In 2018, the CEO was the only executive permitted to use the aircraft for personal travel. In certain circumstances the CEO may at his discretion permit other executives to use the aircraft for personal travel. In addition, at the discretion of the CEO, other executives may be joined by their spouses on the aircraft. The Company does not provide any tax gross-ups on the perquisites described above.

The incremental cost of perquisites is included in the amount provided in the table and based on actual charges to the Company, except that corporate aircraft includes fuel, on-board catering, landing/handling fees, maintenance costs and crew costs and excludes fixed costs, such as pilot salaries and the cost of the aircraft. In accordance with Company policy, any executive who is permitted per the above to use the Company's aircraft for personal use reimburses the Company for a portion of personal use of the corporate aircraft, calculated as the lower of (i) amount determined under the Code based on two times the standard industry fare level rate per person or (ii) 200% of the actual fuel cost, plus any excise tax amounts.

Because Mr. Goare was based overseas, the amount in this column includes certain benefits in connection with his international assignment including: Company-provided housing (in the amount of \$206,038), which includes: rent, utilities and a realtor commission, a transportation allowance (in the amount of \$39,905); a cost-of-living adjustment (in the amount of \$37,135); a family allowance; a global banking allowance; shipment of household goods; home leave travel; relocation allowance and assistance; departure services; and tax preparation services. In addition, certain amounts were paid in British Pounds. In these cases, when the information is available, the amounts reported reflect the exchange rate on the date the respective payments were made, and when the information is not available, the amounts reported reflect the average monthly exchange rate. Furthermore, the amount paid to Mr. Goare includes a lump-sum payment of \$183,000, as well as payment for his unused sabbatical in the amount of \$112,615, both in connection with his retirement on December 31, 2018.

Because Mr. Erlinger is based overseas, the amount in this column includes certain benefits in connection with his international assignment, including: Company-provided housing (in the amount of \$325,102), which includes rent and utilities, children's tuition, a Company-provided vehicle, a cost-of-living adjustment, a family allowance, global banking services, storage of household goods, home leave travel, tax preparation services, and tax equalization (in the amount of \$468,950), which is designed to satisfy tax obligations arising solely as a result of his international assignment. In addition, certain amounts were paid in British Pounds. In these cases, when the information is available, the amounts reported reflect the exchange rate on the date the respective payments were made, and when the information is not available, the amounts reported reflect the average monthly exchange rate.

As an incentive to join the Company in 2015 as Corporate Executive Vice President-Strategy, Mr. Kempczinski received a sign-on bonus; \$200,000 of which was paid in 2016, and a sign-on equity grant under the 2012 Plan of \$1,250,000, 50% of which was in the form of stock options which vest equally on the first four anniversaries of the grant date and 50% in the form of performance-based RSUs, for which the service

(5) condition was satisfied on November 12, 2018; and a sign-on equity grant under the 2012 Plan of \$750,000 of service-based RSUs, the last installment of which vested on November 12, 2018. In light of his initial sign-on equity grant, Mr. Kempczinski did not receive an equity grant in February 2016 when the other NEOs received their annual awards. In 2018, Mr. Kempczinski received an award of 9,507 shares, in the form of time-vested RSUs which vest in full on the third anniversary of grant (Special RSU Grant).

**Table of Contents**

Executive Compensation

**GRANTS OF PLAN-BASED AWARDS**

Name (a)	Plan	Grant date (b)	Estimated future payouts under non-equity incentive plan awards <sup>(1)</sup>			Estimated future payouts under equity incentive plan awards <sup>(2)</sup>			All other stock awards: number of shares of stock or units #(i)	All other option awards: number of securities underlying option #(j)	Exercise or base price of option awards (\$/Sh) (k)	Grant date fair value of stock and option awards \$(l) <sup>(3)</sup>
			Threshold \$(c)	Target \$(d)	Maximum \$(e)	Threshold #(f)	Target #(g)	Maximum #(h)				
Stephen Easterbrook Kevin Ozan	STIP Equity Plan <sup>(4)</sup>	2/19/2018	0	2,430,000	4,860,000	0	36,292	72,584				5,750,104
	Equity Plan <sup>(5)</sup>	2/19/2018							241,597	157.79	5,750,009	
	STIP											